FINANCIAL TIMES
PUBLISHED IN LONDON AND FRANKFURT
No. 28,792
Monday June 7 1982
**30p

CONTINENTAL SELLING PRICES: AUSTRIA Sch. 15; BELGIUM Fr 35; DENMARK Kr 6.50; FRANCE Fr 5.00; GERMANY DM 2.0; ITALY L 1,000; NETHERLANDS Fl 2.25; NORWAY Kr 6.00; PORTUGAL Esc 50; SPAIN Pts 85; SWEDEN Kr 6.00; SWITZERLAND Fr 2.0; EIRE 50p; MALTA 30c

Israeli troops and tanks storm southern Lebanon

BY DAVID LENNON IN TEL AVIV AND NORA BOUSTANY IN BEIRUT

ISRAEL launched a massive land invasion of southern Lebanon yesterday after two days of air strikes and artillery and naval bombardments on Palestinian guerrilla bases.

The Government in Jerusalem declared it aimed to drive the Palestinians 40km northwards so that their guns can no longer fire on Israel's northern towns and villages.

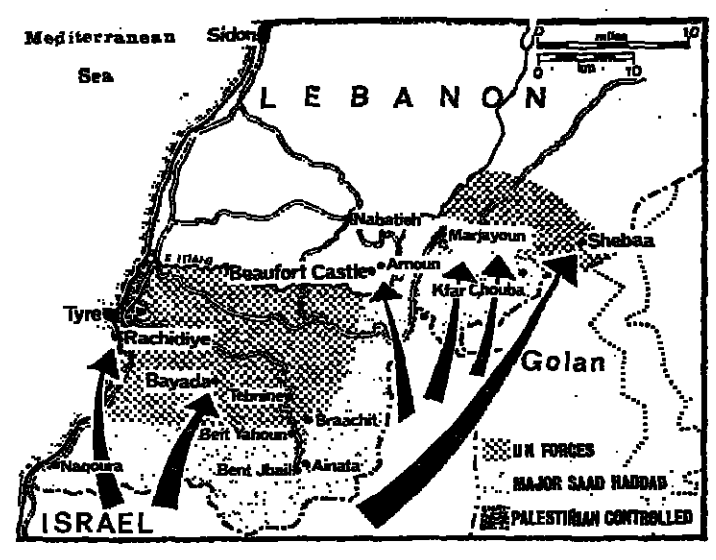
The multi-pronged ground assault was code-named "Peace for Galilee." Israel expressed the hope that the Syrian army would not intervene in the fighting, which is clearly aimed at destroying the Palestine Liberation Organisation as an effective fighting force.

A United Nations spokesman in Beirut said that hundreds of Israeli tanks and armoured personnel carriers had poured across the border. The state-run Lebanese television reported that at least 20,000 troops were involved in the attack.

The UN spokesman said the attack comprised an armoured thrust aimed at the southern port city of Tyre and nearby Palestinian refugee camps, another towards the central market town of Nabitiyah, and a third which was moving towards the Palestinian stronghold around Beaufort Castle.

About 7,000 UN troops have been stationed in South Lebanon since the last major Israeli attack in March 1978. It appears they did not attempt to prevent yesterday's incursion, although it was reported that UN troops just south of Tyre had come under heavy bombardment.

Mr Philip Habib, who negotiated last year's ceasefire between Israel and the PLO, was summoned to Versailles yesterday for urgent talks with President Ronald Reagan who had been following the fighting on an hourly basis while attending the seven-nation economic summit.



Earlier, the seven Western leaders at the summit issued a statement expressing their shock at news of the fighting.

Mr Menahem Begin, Israeli Prime Minister, yesterday rejected a personal appeal from President Reagan not to invade Lebanon.

In his reply, Mr Begin said that he had instructed the army to push the guerrillas 40 kqm back so that their guns would no longer be able to fire into Israel.

Mr Begin is due to meet early today with Mr Habib, although the U.S. envoy is unlikely to be able to make much immediate progress.

Israel announced its decision to invade in a brief statement issued yesterday afternoon. The Cabinet, it said, "decided to instruct the Israeli defence forces to place all the civilian population of the Galilee beyond the range of the terrorists' fire from Lebanon where they, their bases and their headquarters are concentrated."

The ostensible excuse for launching the attack now was the attempted assassination last Thursday of Mr Shlomo Argov, the Israeli Ambassador in London, and the Palestinian shelling of northern Israel over the weekend.

Israel's military spokesmen did not release any early information on the fighting. However, it did confirm that one Israeli aircraft and a helicopter gunship had been shot down on Saturday night and Sunday morning while attacking targets in Lebanon.

Mr Begin went to the army's command headquarters in northern Israel at noon yesterday to follow closely the opening hours of the battle. Coalition and opposition leaders were also taken North for briefings with Mr Ariel Sharon, the Defence Minister.

The opposition Labour Party, which had earlier objected to a land invasion yesterday gave its approval to the operation after its leaders met with Mr Begin.

Palestinian officials said that the Israeli thrust towards Tyre was supported by troop landings from the sea and air. They also claimed that an Israeli armoured force had come ashore near Sidon, to the north of Tyre and midway to Beirut.

NEWS SUMMARY

GENERAL

Scargill in action call to CND

A crowd of about 230,000, according to organisers, attended a disarmament rally in Hyde Park, London.

Miner's president Arthur Scargill urged CND members to stop being content with marches and rallies and to start a campaign of civil disobedience. He said: "I hope you will join me in that campaign." Picture, Page 2

The United Nations starts a special session devoted entirely to disarmament, today. The purpose of the five-week session is to focus attention on the problem, not negotiate solutions.

UN Secretary General, Sr Javier Perez de Cuellar has called the session a bid to end the "rush to destruction." Page 3

Labour 'collapse'

The Labour Party is "bankrupt, ineffective and in a state of collapse" and without a "cat in hell's chance of winning the next election," said railwaymen's union leader Sid Weighell. Page 6

Factions banned

A ban on internal factions has been imposed by the Scottish nationalist Party, in a move to stop a widening Left-Right split. Back Page

'FBI force' urged

An FBI-style police force, to operate on both sides of the Irish border, was called for by former Irish Premier Dr Garret FitzGerald. Page 5

Chad battle

Rebel forces in Chad said they had broken through government lines and were an hour from the capital N'Djamena. Page 3

Mugabe scare

Zimbabwe Premier Robert Mugabe slid down the emergency chute of a Boeing 747, which diverted to Paris, after a bomb scare on his London-Salisbury flight.

Crash kills 39

Two buses crashed head on killing 39 and injuring 35, about 60 miles from Ankara.

Prison record

Britain's prison population was a record 44,366 in May, according to the National Association for the Care and Rehabilitation of Offenders.

Swede wins

Unseeded Mats Wilanders, 17, of Sweden, won the French Open tennis championship, beating third seed Guillermo Vilas, of Argentina 1—6, 7—6, 6—0, 6—4.

Cubic feat

Vietnamese refugee Minh Thai, 16, who lives in the U.S., won the first Rubik Cube world championship, in Budapest, in 22.95 seconds.

Briefly . . .

Golfer Catherine Bell, 28, of Bradford was killed by lightning on a course at Northcliffe, Shipley.

Second secretary at the Iranian embassy in Moscow applied for political asylum in The Netherlands.

Woman jumped 165ft. to her death from The Leaning Tower of Pisa, said Italian police.

Crash between two cars and a coach killed three people in Bradford, West Yorkshire.

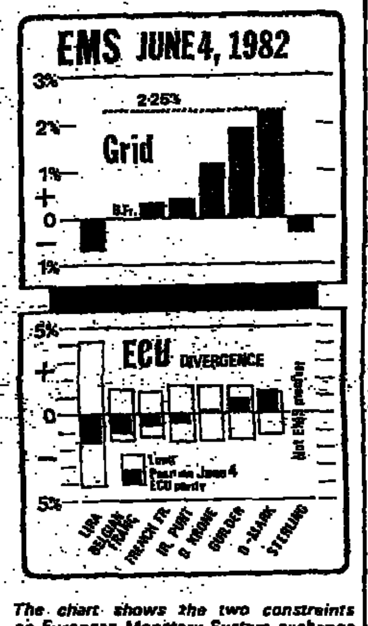
BUSINESS

Gloomy economic forecast by CBI

● UK ECONOMY will stay sluggish for several months before a weak forward movement says the CBI's latest assessment. Back Page

● ALL-PARTY COMMITTEE of MPs, including two former Conservative Treasury ministers, will propose a major overhaul of the way public expenditure and tax decisions are made in a direct rejection of the views of Chancellor, Sir Geoffrey Howe. Back Page

● FEARS OF a devaluation of the French franc, and even its possible withdrawal from the European Monetary System, dominated foreign exchange trading last week. Initially these fears led to demand for the dollar, but the U.S. currency retreated later in the week. Euro - French franc interest rates rose sharply to defend the French unit, with the seven-day rate touching 65-70 per cent. Central banks intervened to try to bring the D-Mark back down to its EMS divergence limit, and prevent the French and Belgian francs falling below their floor against the German currency.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid based on the weakest currency in the system defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (ECU) itself a basket of European currencies.

● BRITISH BANKS are pressing foreign banks to share out payments received from Argentina on outstanding loans. Page 22

● HOUSE BUILDERS are increasingly convinced that the Government is preparing to phase out mortgage tax relief. Page 8

● STEEL IMPORTS in February were 65 per cent more than in February 1981, because of higher UK prices. Page 7

● COMMERCIAL VEHICLE sales jumped 21.2 per cent to 21,537 last month compared with May 1981, mostly through increased demand for light vehicles. Page 7. Heavy vehicle demand still depressed. Page 7

COMPANIES

● JAPAN'S six biggest shipbuilders reported large increases in sales and profits in the year to March 31. Page 23

● ARGYLL FOODS embarked on the last phase of its acquisition of Allied Suppliers with publication of the prospectus for the sale by tender which will fund the majority of the £101m deal. Page 20

CONTENTS

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Versailles agreement to step up world economic co-operation

BY REGINALD DALE IN VERSAILLES

THE WORLD'S seven leading industrial nations last night announced a series of new though largely undefined commitments to increase international economic and monetary co-operation.

At U.S. insistence they also cautiously agreed to limit new credits to the Soviet Union and eastern Europe in the light of "commercial prudence" and "political and security interests."

At the end of the two-day Versailles summit, dominated politically by conflicts in the Falkland Islands and the Middle East, the leaders of the U.S., the UK, France, West Germany, Italy, Canada and Japan rallied to their traditional show of Western unity on such occasions.

Mrs Margaret Thatcher, the UK Prime Minister, said the seven states had demonstrated solidarity on every issue discussed, a point echoed by Mr Alexander Haig, the U.S. Secretary of State.

The U.S. was pleased particularly that the seven had agreed collectively to use economic weapons against the Soviet Union, alongside political and diplomatic ones, for the first time however tentatively.

U.S. officials said, however, the summit had been a "cliff-hanger" as a result of serious differences between France and the U.S. over East-West trade.

They suggested it had been rescued only by firm action by President Ronald Reagan.

As the talks neared their end with no agreement in sight on credits Mr Reagan made clear that unless France accepted the concept of limiting Western credits to the Eastern bloc he would not proceed with discussions of the North-South dialogue between industrial and developing countries.

That dialogue is particularly dear to the heart of M Francois Mitterrand, the French President and summit host.

M Mitterrand did not want to see a humiliating summit failure on his home territory. He accepted finally a text originally proposed by Mrs Thatcher. In this the word "limiting" was for the first time approved by all seven nations.

U.S. officials conceded that the communiqué's language on credits was not as strong as they would have liked. They claimed, however, that the agreement nevertheless marked a major step forward in their campaign to deprive the Soviet Union of Western government-subsidised credit for both political and economic reasons.

Both the credit and the economic and monetary agreements were vague enough to allow each country to interpret them as they liked.

The heads of government approved U.S. proposals for a study of the effectiveness of intervention in exchange markets and a new form of multilateral surveillance of their economies by the International Monetary Fund.

France and West Germany interpreted this as a sign that a process was under way in which the U.S. would be drawn into intervention more frequently to influence the rate of the dollar, as they have long sought.

Mr Donald Regan, the U.S. Treasury Secretary, agreed the summit had laid the basis for a new era of economic and monetary co-operation in the 10 years since the U.S. left the gold standard and the Bretton Woods system finally collapsed. It was the first step back to a system of rates that would be adjusted reasonably to each other, he said.

He insisted, however, the U.S. had not changed its policy of intervening in the event only of disorderly market conditions, in accordance with IMF rules, and that economic convergence, particularly on inflation, as the key to more stable exchange rates.

The U.S. did not agree with a section in the communique, endorsed by members of the European Monetary System attending the meeting which implied there would be henceforth a closer link between the dollar and European currencies.

Men and Matters, Page 18

Britain rejects new U.S. proposals for Falklands future

BY PETER RIDDELL AND ANDREW WHITLEY

THE GOVERNMENT has rejected U.S. proposals for the long-term future of the Falkland Islands involving talks with Argentina over sovereignty.

President Reagan is likely to have a distinctly chilly reception when he arrives in Britain this evening for a two-day visit which includes talks with ministers and an address to MPs.

There are likely to be charges of insufficient support for a close ally and of incompetence after the embarrassing confusion on Friday's voting at the United Nations on a ceasefire

One senior minister commented that, for all the superficially warm welcome and attempts to minimise differences, the reception would be the coolest for any U.S. President since Suez.

According to the London Weekend Television programme, Weekend World, President Reagan presented Mrs Thatcher with the outline of a new U.S. plan to settle the immediate future of the Falklands, once full British control had been restored.

The plan, presented to Mrs Thatcher in Versailles before the opening of the summit conference, is consistent with the British Government's wish to broaden responsibility for the islands by inviting countries such as the U.S. and Brazil to help guarantee its future.

But the price demanded of London by Washington was the reopening with Argentina of the sovereignty issue within six months of a ceasefire.

As disclosed so far, the five-point plan called for the withdrawal of the British task force from the southern hemisphere once hostilities were over; a temporary administration made up of Britain, the U.S., Brazil and Jamaica; and the recognition by Britain that the Falklands had a "special and unique status."

Talks on the future of the islands, in which Argentina would be invited to participate, would open in three to six months. This element is critical from the U.S. point of view to prevent the Falklands dispute remaining a running sore, in which its relations with the rest of Latin America would suffer badly as those of Britain.

Mr Cecil Parkinson, a member of the inner Cabinet directly concerned with the Falklands and who is very close to Mrs Thatcher, said yesterday there was a "divergence of interests" between the countries since

Continued on Back Page
More Falklands stories, Page 4

No comfort for Schmidt in Hamburg poll results

By Jonathan Carr in Bonn

THE FUTURE of Chancellor Helmut Schmidt's coalition Government in West Germany has been put in question by yesterday's elections in the city-state of Hamburg.

Herr Schmidt's own party—the Social Democrats (SPD)—plummeted to its worst post-war result in Hamburg, gaining little more than 43 per cent of the vote against 51.5 per cent four years ago.

For the Chancellor the result is a personal as well as a political blow, since Hamburg is his home city and he had engaged actively in the election campaign there.

At the same time, the liberal Free Democrats (FDP) — who participated in the Bonn coalition with the SPD — narrowly failed to gain the minimum 5 per cent of the vote needed for representation in the Hamburg government.

Computer estimates given by both German TV channels last night differed on the exact FDP figure, yet both agreed that it was under the requisite 5 per cent. Four years ago too, the FDP failed to clear the hurdle, polling only 4.8 per cent.

The Hamburg result is bitter-sweet for the opposition Christian Democrats (CDU), who hoped to come from behind at least to become the strongest

Continued on Back Page

Summit leaders back Thatcher

BY JOHN WYLES IN VERSAILLES

MRS THATCHER yesterday won a major declaration of support for her Falklands policy at the Versailles economic summit.

After hearing President Mitterrand of France place the full blame for the conflict on Argentina, the Prime Minister welcomed his "splendid summing up of total unanimity and solidarity." Speaking for all seven government leaders, M Mitterrand said the UK had been the victim of aggression and "its national interest and national pride have been injured."

"The UK must recover what it has lost, we shall do everything we can to make sure that peace will prevail over war," he concluded.

This declaration, together with a post-summit statement by Mr Alexander Haig, the U.S. Secretary of State, seems to have corrected the sense of disarray, caused by the U.S.'s attempt on Friday to withdraw its veto of the UN Security Council ceasefire resolution.

This attempt came too late to prevent the U.S. joining Britain in vetoing the resolution, but it caused dismay within the British delegation in Versailles.

Yesterday, however, Mrs Thatcher made light of it. What really mattered, she said, was the political support Britain was receiving and the very considerable help being given through economic sanctions and other measures.

Mr Haig issued a carefully prepared statement which was clearly aimed at responding to British complaints about the events of Friday evening and denying any charges that U.S. support for the British was weakening.

He said he wanted to restate very clearly "Ronald Reagan's policy," and declared that aggression should not be allowed to go uncontested.

He did not want to debate whether the U.S. should have vetoed the UN resolution or abstained, but U.S. second thoughts on the question "should not be interpreted as any lessening of support for the principles the UK is upholding."

Troops reinforced for attack

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT

BRITISH TROOPS on East Falkland have been reinforced by elements of the Gurkhas and by the Welsh and Scots Guards prior to their expected attack on Port Stanley, the islands' capital.

The Defence Ministry confirmed the reinforcements yesterday. It said the QE2, which carried about 3,500 men to the South Atlantic, was on its way home and expected to dock at Southampton on Friday.

The Gurkhas and Guards were landed on South Georgia and transferred to the assault ships Fearless and Intrepid about a week ago. The QE2 is bringing back about 700 men from the warships Ardent, Antelope and Coventry, all of which have been sunk.

The Defence Ministry issued no other operational information yesterday on the campaign to recapture Port Stanley. But correspondents with the troops at the weekend continued to suggest that an attack could be imminent.

The most dramatic statement came from Michael Nicholson, reporting for ITN, who said yesterday that "extraordinary daring" operations were under way.

He gave no further details, saying they could not be revealed until they were completed. "If they are successful they will bring the end of this war much closer," Nicholson said.

According to Jeremy Hands of the BBC in a dispatch which landed in London on Saturday, British guns were lined up on the Argentine positions which "form a three sided defence around the Falklands capital."

He added: "All it needs is for the order to be given and the pounding will start, supported by naval gunfire and air strikes from the Harriers.

"The combined firepower will inevitably be as horrifying as it will be effective."

The Argentines, having surrendered the high ground around Port Stanley last week "will be badly placed to hit back," Hands said.

He confirmed that elements of the Gurkhas and Guards, who comprise the 5th brigade, were now with the Royal Marines and the paratroopers near the capital.

It is not clear how tight the Argentines' defensive "horseshoe" around Stanley is, but British strategy seems to be to bombard the troops in their positions short of the town itself. There are an estimated 250 Falklanders in Stanley, whose houses are mostly built of wood and therefore easily combustible.

It is assumed that a simultaneous bombardment of Argentine defences at the airport would be ordered.

Leaders of seven industrial nations end talks on East-West trade, technology and exchange markets

Mitterrand strategy on technology challenged

By David Housego in Versailles

THE Versailles summit's declaration on technology in the final communique bridges two different approaches. It speaks of the need to remove barriers both to the development of new technologies and to trade in these technologies, in both the public and private sectors.

President Mitterrand used his opening address to the conference to spell out a French strategy for promoting higher levels of international economic growth through collaboration in technology. He called for governments to agree on priority co-operative efforts involving governments, public and private companies in such areas of heavy investment as energy, telecommunications, robotics electronics, space and the new technologies.

But the French President emphasised his Government's view that the heavy investments required could only be made on the basis of a stable monetary system and lower interest rates.

He called on governments to sustain demand in their economies as the basis of technological information, and to set global growth targets for 1985 and 1990.

U.S. concern, by contrast, continues to focus on the unfair disadvantage to private companies of growing intervention—notably by France and Japan—in high technology sectors.

Both President Reagan and Mrs Thatcher emphasised the importance of the private sector in developing and applying research.

In the wake of the summit a working party is being set up to follow up the proposals put forward by President Mitterrand. The group has been asked to submit a report by the end of this year, and the conclusions and action to be taken are to be considered at the next economic summit.

Among the main proposals of the French President were:

O International collaboration over research and development

O Priority measures for technological cooperation involving private and public companies in new energy sources, telecommunications, robotics, electronics, artificial intelligence, space and biotechnologies

O The provision of training in new technologies to enable people to switch jobs

O The Organisation of Economic Cooperation and Development should be involved in a special international exchange and cooperation programme.

Although President Mitterrand's proposals were formally welcomed by the other heads of government, his approach of technology planning met with some scepticism.

President Reagan reminded other participants at the conference that a Presidential study commissioned in the 1930s on technological possibilities failed to mention television, plastics, laser beams, jet planes and ball-point pens.

O President Mitterrand called on the other summit participants to work together to prevent a few companies and nations controlling the gathering and processing of information for the entire world. If present trends continued, he said, the world communications industry would be controlled by some 20 companies by the end of the century.

East-West trade provokes sharpest disagreement

BY JOHN WYLES IN VERSAILLES

THE VEXED question of East-West trade and credits has provoked the sharpest disagreement at the Versailles summit, and this may have resulted simply in the creation of a framework within which Europeans and Americans can continue to disagree.

Fearing that President Francois Mitterrand of France was going to leave the question as the last item on the agenda, President Ronald Reagan was stung into delivering a vehement demand at dinner on Saturday night for a show of support from his allies which attempted to accommodate U.S. wishes.

The White House view, supported by Mrs Margaret Thatcher, was that the West had been far too generous in supplying financial aid to the Soviet Union and to the Eastern bloc. This helped Moscow to build up its armaments and pursue military and political objectives in Afghanistan and elsewhere.

Chancellor Helmut Schmidt of West Germany was equally forceful in defending past and present policies, pointing out that while West Germany and France's trade with the East had been falling, Japanese and U.S. deliveries were continuing to grow.

A political response to U.S. demands became urgent yesterday, however, and with the U.S. threatening to divorce itself from the North-South provisions of the communique, a form of words was agreed which permits both sides to claim that they have got what they wanted.

This commits the seven nations "to handle cautiously the financial relations with the USSR and the Eastern European countries in such a way as to ensure that they would be conducted on a sound and economic basis, including the need for commercial prudence in limiting export credits.

Mr Donald Regan, the U.S. Treasury Secretary, was quick to insist yesterday that the agreement amounted to an intention to cut the flow of credits to the Eastern bloc—"to cut it back and not to allow it to grow"

European delegations insisted they were only committed to exercising commercial prudence in supplying credits — a principle which, they say, is already in operation following the difficulties over Polish and Romanian debt repayments.

West Germany and France apparently resisted any form of words which implied that the supply of credits could be governed by any other criterion but prudence. They were opposed to any moves aimed at damaging Eastern European economies for political ends.

President Mitterrand stressed at a Press conference on Saturday evening that no "instrument of tension" should be created. The objective was to return to a dialogue with the Soviet Union, "to influence this dialogue and not to hinder or prevent it from being carried on."

Mr Regan, however, believed yesterday that the agreement to monitor commercial developments with the Eastern bloc within the OECD would actually lead to cuts in credit flows.

The summit discussion appears to have increased the prospects of agreement by the June 15 deadline to amend the "gentlemen's agreement" within the OECD governing the supply of export credits to all countries.

But this agreement could result in a significant reduction of subsidised credits to the Soviet Union. This would be through an increase in the minimum interest rate to be attached to trade loans to Moscow. The increase would be from 10.5 to 12.25 per cent for short-term loans and from 11 to 12.5 per cent for medium-term loans.

Mrs Thatcher, the UK Prime Minister, pictured above with President Ronald Reagan, is optimistic that the U.S. will lift its objections to supplying vital equipment needed by John Brown, the engineering group, for manufacturing gas turbines for the Soviet Union, Max Wilkinson reports. The turbines are needed for a trans-Siberian pipeline which is part of a project for supplying Soviet gas to western Europe. The £104m John Brown contract is for 21 gas turbines. But blades are needed from General Electric in the U.S.

The U.S. has objected to the supply of these components as part of a tough line which it has been taking at the Versailles summit on the general question of trade and financial dealings with the Eastern bloc.

LIFE AT THE TOP: Photo call for heads of delegations attending the Versailles economic summit. From left, M Gaston Thorn, President of the EEC Commission, Mr Zenko Suzuki, Prime Minister of Japan, Mrs Margaret Thatcher, President Ronald Reagan, President Francois Mitterrand of France, West Germany Chancellor Helmut Schmidt, Prime Minister Pierre Trudeau of Canada, Sig Giovanni Spadolini, the Italian Premier and Mr Wilfried Martens, the Belgian Prime Minister. They announced a series of new, though largely undefined, monetary co-operation. At Washington's insistence, they also cautiously agreed to limit new credits to the Soviet Union and Eastern Europe in the light of "commercial prudence" and "political and security interests."

Differing views offered of intervention agreement

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

THE WEEK-END confusion over the precise meaning of the agreement reached in Versailles on concerted action in the foreign exchange markets reflects the staunchly-held and opposing positions taken ahead of the summit by its participants.

President Francois Mitterrand of France hailed the agreement as beginning "the implementation of a medium-term reform of the international monetary system and the acceptance of the idea of intervening in exchange markets to counter erratic fluctuations."

It seemed to him like a significant victory for the French argument that central banks — and particularly the U.S. Federal Reserve Bank—should play a substantial role in maintaining a stable relationship between the world's major currency groups.

Earlier M Jacques Delors, the French Finance Minister, announced that the U.S. had agreed in principle to "start procedures for concerted action by the principal countries for better control of exchange rates. . . ."

But this apparent change by the U.S. from its staunch refusal to intervene in the markets except in the case of dire emergencies, was contradicted by Mr Donald Regan, the U.S. Treasury Secretary. He curtly informed the Press that M Mitterrand "didn't read the fine print" and that the U.S. position had "far from changed."

The fine print confirms agreement among the summit nations to intervene in the exchange markets to counter disorderly conditions in accordance with the provisions of Article 4 of the International Monetary Fund.

The U.S. has emphasised all along the need for countries to promote currency stability through convergence of economic policies rather than bank intervention.

At the other extreme, France still wants a progressive tightening of the relationship between the European Currency Unit (Ecu), the yen and the dollar through a combination of economic policies and direct intervention.

BEGIN'S LEBANON INVASION

Israelis unite as bid to destroy PLO goes ahead

BY DAVID LENNON IN TEL AVIV

THE large-scale invasion of Lebanon which Israel launched yesterday is clearly aimed at destroying the Palestine Liberation Organisation (PLO) as an effective fighting force and thus reducing its political influence in the region.

But it was not immediately apparent yesterday how deep into Lebanon Israel intends to penetrate, or how long it intends to stay. A senior Israeli official said last week that in the event of such an invasion Israel might remain in Lebanon until a permanent solution could be found which would do more than replace the PLO with a UN peace-keeping force.

Israel has not spelt out what this means, but one of the ideas which has been raised frequently is to create Christian hegemony over all of southern Lebanon, or else insist that an effective international peace-keeping force be brought into the area.

Israel does not regard the UN force in Lebanon (Unifil), inserted after the 1978 invasion, as fulfilling this role, and would prefer a U.S.-controlled force like that now stationed in Sinai.

Preparations for the invasion have been underwey for some time. Over the past few months there have been four false alarms as Israel has moved troops to the northern border and then refrained from invading Lebanon because of U.S. pressure.

But the attempted assassination of the Israeli Ambassador in London, Mr Shlomo Argov, was seen by the Government as offering sufficient grounds to justify the war in the eyes of the West.

The heavy weekend air strikes, artillery and naval bombardments of Palestinian targets in Lebanon, softening them up for yesterday's land invasion, were planned long ago. It is widely believed Israel has merely wanted an excuse to invade.

Apart from the limited damage which Palestinian guerrilla attacks have caused over the years, it is the PLO's ability to block progress towards a solution of the Palestinian problem which Israel has come to see as the real problem.

Israeli hopes that some Palestinians would be willing to accept the limited form of autonomy being offered to Arabs living under occupation on the West Bank and in the Gaza Strip have not been realised. Jerusalem believes that this is because of the opposition of the PLO, and because of its ability to press the Palestinians to reject autonomy.

Last week Mr Yitzhak Shamir, the Israeli Foreign Minister, called for the elimination of the PLO, which he described as a major obstacle to peace between Israel and other Arab countries. He said that the PLO sowed fear among Arab governments and presented whoever might consider making peace with Israel as a traitor to the Arab cause.

Israel, he said, should strive to eliminate the PLO, "because only its complete elimination as a terrorist-political element will prepare the ground for the fullest advancement of the process that began in Camp David and will allow for the signing of peace agreements with the rest of Israel's neighbours."

General Rafael Eiten, the Chief of Staff, was quick to follow this up with a statement that the problem could only be solved by military action. But this was rejected by Mr Yitzhak Rabin, the former Prime Minister, who said the Palestinian terrorist problem could not be solved by military action.

Yesterday Mr Menahem Begin, the Prime Minister, appeared to have won over Mr Rabin and the other Labour Party leaders to support the land assault.

Mr Shimon Peres, the Labour Party chairman, said after meeting the premier: "We believe it is the duty of Israel to do whatever is necessary to stop these attacks."

Winning the support of the opposition Labour Party was made easier for the premier by the PLO's decision to shell northern Israel in response to Israel's own air strike on Beirut on Friday in retaliation for the London assassination attempt.

As Israelis living in the north were driven into their bomb shelters, the pressure grew for a push against Palestinian forces, driving them north to a point where their guns could not fire on Israel.

The worrying question for Israel last night concerned how the Syrians would react. The government said it did not want to become involved in a war with the Syrians, but it is clearly prepared for the possibility.

The incentives for Israel's action have included the knowledge that the West is to some extent preoccupied with the Falklands crisis, the Arab world is in considerable disarray following recent Iranian successes in the Gulf War, and the fact that Syria is isolated from its neighbours, Jordan and Iraq, which are unlikely to render any assistance in the event of a war with Israel.

Jerusalem is also aware that the time is approaching when Washington may begin to take a serious interest in trying to resolve the Palestinian issue, now that the peace treaty with Egypt has been consumated by the final Israeli withdrawal from Sinai.

If Israel can destroy the PLO now, the pressure on the U.S. to speak to the PLO must be considerably reduced, according to Israeli government thinking.

Another factor focuses on the West European nations which have recently sent their Foreign Ministers on visits to Jerusalem in an attempt to moderate Israeli policy by showing that it is not isolated.

These countries may have inadvertently contributed to Mr Begin's decision to launch the weekend invasion. The Israeli leader drew comfort from their visits, as "confirmation" that, despite his annexation of the Golan late last year, the bombing of Iraq's nuclear reactor and the bombing of the Palestinians, the West realises it needs Israel. Certainly he ignored the Foreign Ministers' carefully worded observations about the need for a political solution to the Palestinian problem.

The fact that the attack was launched while the Western leaders were meeting at Versailles serves to underline Mr Begin's contempt for the opinion of the West, and his firm conviction that Europe and the U.S. will continue to support his country as a democratic, militarily strong, Western ally in the Middle East.

It is because of this that yesterday he felt free to reject the appeal by President Ronald Reagan not to invade Lebanon.

DEMONSTRATIONS ACROSS EUROPE COINCIDE WITH REAGAN VISIT

Bonn and Munich turn out in force for the Right

BY JAMES BUCHAN IN MUNICH

President Ronald Reagan is discovering how many friends he has in West Germany.

For a start there is Herr Helmut Kohl and Herr Franz Josef Strauss, leaders respectively of the Christian Democrat opposition and its Bavarian sister party, the Christian Social Union.

Then there are the 130,000 people these two gentlemen brought on to the streets of Munich and Bonn in his support on Saturday.

On a brilliant sunny morning, the sky as blue as the Bavarian flag, more than 50,000 Bavarians converged on Munich's Koenigsplatz to hear a triumphant restatement of traditional right-wing values and to eat their second breakfast.

The vast majority were middle aged couples, brought in by bus from the country. Standing in their clomping shoes before the cool grace of Von Klenze's neo-classical temples, they looked like tenants at a landowner's Christmas party.

They applauded all references to the U.S., beer, the police, the utter incompetence of the present government and the evil of the Soviet Union.

They bore placards that said "The West is the Best" or "Freedom instead of Siberia," and they sang along lustily as one Roberto Blanco, backed by the Heinz Amman Big Band, led them in an ersatz version of Woody Guthrie's song "This Land is Your Land, This Land is My Land, from Schleswig Holstein, to the free state Bavaria"—which, sung in English, suggested quite the opposite.

Herr Kohl's demonstration in the Hofgarten in Bonn, though larger and less folkloric, had the same intention of presenting a "silent majority" of Germans who are in favour of Nato and of the U.S. as the ultimate guarantor of West German peace of mind.

The message to President Reagan, who arrives in Bonn for a Nato Heads of Government meeting on Thursday, is that the "Peace Movement"—which will mobilise some 150,000 young people in Bonn that day and a smaller if rougher number in Berlin the next—does not represent true West German feeling.

Beside Herr Kohl on the podium in Bonn was Herr Walther Leisler Kiep, having a last public airing before yesterday's critical Hamburg by-election in which he is CDU candidate.

"They say it is better to be Red than dead," Herr Strauss bellowed across the square. "But I tell you, you will be Red first and then dead."

All Germans supported peace, he said, but only peace in freedom.

The disarmament rally in Hyde Park, London, attended by about 230,000 people, according to the organisers, and by around 115,000, according to the police. By the end of the meeting there had been 32 arrests for minor offences. Mr Arthur Scargill, the new miners' leader, urged CND members to begin a campaign of civil disobedience

About 300,000 people took part in an anti-nuclear protest in Rome yesterday timed to precede President Reagan's visit to Italy, Agencies report. The march blocked traffic throughout the city as it wound past both the U.S. and Soviet embassies. Banners read "Reagan—Executioner," while part of the crowd carried "Italy out of Nato, Nato out of Italy," a reference to the 120 nuclear missiles planned for installation in the country.

In Copenhagen thousands joined a peace rally calling for a halt to the nuclear arms race and the establishment of a nuclear-free zone in the Nordic countries.

In Antwerp, police said 6,500 people took part in a Belgian peace march.

Clashes on Paris N-protest

By Terry Dodsworth in Paris

FRENCH POLICE used tear gas to break up a group of demonstrators who tried to turn an anti-nuclear march into a violent confrontation in Paris on Saturday.

The police action followed Molotov cocktail and crowbar attacks on a bank and two temporary work agencies. When the police moved in to disperse the demonstrators, gathered at the Place de la Bastille, they were met with a hail of projectiles.

The violence was attributed yesterday to independent, anti-authoritarian groups that had infiltrated the demonstration against nuclear weapons. Similar demonstrations in Paris in recent years have also been joined by outsiders intent on breaking up shops and attacking the police.

According to the organisers, about 15,000 people joined the march across northern Paris to the Place de la Bastille. Directed mainly against U.S. policy, and timed to coincide with the Versailles summit attended by President Ronald Reagan, the demonstration drew support from many Left-wing groups.

Haste over gas in Siberia risks prospects

BY ANTHONY ROBINSON IN MOSCOW

IN ITS HASTE to develop the massive Urengoi gas deposit in Western Siberia the Soviet Union is risking massive environmental damage to the fragile Tundra and the long-term potential of the gas field itself, according to correspondents from the Communist party newspaper Pravda who have just come back from the area.

Urengoi will be the source of gas for the controversial Siberia-Western Europe pipeline, due to come on stream at the end of 1984, as well as five other pipelines serving the southern and western parts of the Soviet Union and Eastern Europe.

According to Pravda, however, delays in building serviceable roads, gas cooling and treatment stations and in drilling new production wells have led to severe overloading of existing facilities.

All current production is coming from a narrow five- to seven-mile-wide strip in the middle of the 30-mile-wide field. This uneven development means that it will be harder to exploit the remainder of the field, geologists say.

The lack of gas cooling stations means that warm gas is being piped straight from the deposits. This has led to thawing of the permafrost, which puts additional strain on the pipelines and has created marshland in the place of frozen Tundra. Moving heavy equipment across inadequate roads also has a destructive effect on the fragile environment.

Last year the plan called for the drilling of 123 new gas wells but only 93 were completed and of these only 61 were fully operational, Pravda said. Construction of gas-gathering pipelines was also well behind schedule. Some 137 km of pipeline to link 33 pumping stations were planned, but only 52 km of pipeline and 16 stations were finished.

By 1985, Urengoi is supposed to produce 270bn cubic metres annually, about 40 per cent of total planned gas production of approximately 650bn cubic metres.

But, by repeating the pattern of forced exploitation already experienced by the oil industry, the Soviet gas industry appears to be damaging the potential of what is intended to be the major Soviet hard currency earner for the rest of the century and beyond.

UN bid to end 'rush to destruction'

BY OUR UN CORRESPONDENT

IN what Sr Javier Perez de Cuellar, the Secretary General, has called a bid to reverse the "rush to destruction," the General Assembly of the UN begins a special session today devoted exclusively to disarmament.

The main purpose of the five-week session is to focus world attention on the problem, not negotiate solutions—they must await the attention of diplomats and arms experts in smaller groups than the 157-nation Assembly.

Emphasising the importance of the need to halt and reverse the arms race, heads of state from at least 14 nations, including President Reagan, Mrs Margaret Thatcher and Chancellor Helmut Schmidt, are scheduled to take part in the debate. Most member states will be represented at least at Foreign Minister level.

The organisers were disappointed that President Brezhnev declined a proposal to join Mr Reagan in New York. Mr Andrei Gromyko, the Soviet Foreign Minister, is leading Moscow's delegation.

The assembly session, which will be presided over by Mr Ismat Kittani of Iraq, is the second of its kind. Its predecessor, in 1978, produced a declaration designed to provide a framework for disarmament efforts and enhance the effectiveness of UN machinery in the disarmament field.

The results have been disappointing. Mr Jan Martenson, head of the UN Disarmament Centre, acknowledged at a press conference that the situation today is far worse than it was four years ago.

Swiss reject aliens plan

BY JOHN WICKS IN ZURICH

A PROPOSED aliens law, intended to improve the position of foreigners living and working in Switzerland, was rejected by a small majority in a federal referendum at the weekend. The law had been opposed by the nationalist Party Nationale Aktion, which claimed its introduction would have led to further immigration.

While retaining limits on immigration, the law would have given aliens with five years' residence the right to residence permit renewal, as well as allowing seasonal workers to become residents after 32 months' presence in four consecutive years.

Foreign workers would also have had the right to change their job after one year and under certain circumstances to bring in their dependents after six months.

Iraqi jets kill 43 on Iran rally

ILAM, IRAN—Iraqi jets bombed and strafed Ilam in western Iran on Saturday while the streets were packed with demonstrators, killing 43 people and wounding more than 150.

Local residents said two *MIG fighter-bombers* had dropped about eight bombs in the centre of the town before sweeping low several times to fire at the crowd.

Thousands of residents of the city, less than 30 miles from the Iraqi frontier, had turned out for pro-Government rallies, as in many other Iranian cities.

Saturday was the anniversay of what is called the start of the Islamic revolution, marking the day in 1963 when Ayatollah Ruhollah Khomeini went into exile in Iraq.

In a narrow street littered with glass, brick rubble and burnt-out cars, teacher Ali Abdullah said the jets appeared to have aimed for the most crowded parts of the town.

The bombing was the first such raid by Iraq for several weeks, although two jet fighters flew over Tehran in a show of strength last Wednesday. Reuter

Afghanistan rebels 'crushed'

ISLAMABAD—Fighting inside Afghanistan has reached its highest point of the 30-month-old war and neighbouring Pakistan expects a major influx of refugees, Moslem rebel and Pakistani military sources said yesterday.

In its latest battle report, Kabul Radio said on Saturday night that 176 rebels were "crushed", in the western province of Herat, a phrase usually meaning they were killed or captured in fighting.

The fighting extends from Herat, bordering Iran, to about 60 miles from the Soviet border and down to the Panjsher valley near the Afghan capital, Kabul.

About 800,000 Afghan refugees are expected to flee to the province over the next few months, to join the 2.2 *million there now.*

Reuter

U.S. economy drops sharply

By Richard Lambert in New York

THE U.S. ECONOMY dropped steeply in May, according to figures produced today by the National Association of Purchasing Management. Production, new orders and employment fell sharply compared to April, reversing the trend of the previous few months, during which the rate of decline had been slowing.

The improving outlook for inflation continues to be the only good news in the report, based on a monthly survey of 250 industrial companies. For four consecutive months, the number of companies reporting lower prices has exceeded those reporting rises.

But almost half the companies said their employment levels fell during May.

Chad rebels 'break government defences'

PARIS—Rebel forces in Chad have broken through Government defence lines, killing hundreds of Government troops, and are within an hour of the capital, N'Djamena, a rebel spokesman was reported to have *said yesterday.*

The rebel armed forces of the north (Fan), loyal to former defence minister Hissene Habre, took control yesterday of government lines 45 miles north-east of N'Djamena, the spokesman said.

He added that they had held back from *storming* the city in the expectation that the local population would rise against the Government of President Goukouni Oueddei and force *him to step down.*

Some rebels had chased Government forces in forays to within three miles of N'Djamena and 308 prisoners were captured in the battle, along with weapons and military vehicles.

The Organisation of African Unity (OAU), which has a peace-keeping force in Chad, warned President Goukouni's provisional Government on May 22 that its troops would withdraw this month unless a timetable *were announced* by June 10 for a ceasefire in the civil war.

The ultimatum was issued in Kinshasa at the end of an OAU meeting, the Zaire news agency Azap reported at the time.

The OAU force, comprising troops from Nigeria, Senegal and Zaire, was sent to Chad last December after President Goukouni asked Libya, which had intervened on his side in late 1980, to pull out its forces.

The OAU force, estimated at 3,200 men, has acted as a buffer between Government troops and the 4,000 well-armed rebels in their northern strongholds.

Reuter

'Reformist' Botha wins decisive support

BY J. D. F. JONES IN JOHANNESBURG

MR P. W. BOTHA, the South African Prime Minister, won a decisive victory for his "reformist" position at the weekend when he won the over*whelming support of a special* National Party caucus in Cape Town which had been called to discuss last month's constitutional proposals of the President's Council.

Only one Nationalist MP, Mr Ferdi Van Heerden, from the Cape constituency of De Aar, refused to support the Prime Minister. He is expeced to join the right-wing breakaway Conservative Party and become its 18th MP.

Mr Botha was therefore justified in describing the meeting as "*highly successful and satisfying*" since there had been speculation that there were as many as a dozen potential right-wing defectors within the *parliamentary caucus.*

But Mr Botha and his Cabinet (who have recently spent many hours discussing their response to the recommendations of the President's Council) have evidently back-pedalled on some of the constitutional proposals. It is likely that in so doing they *are, at least for the time being,* keeping in the party a number of politicians who are unhappy about the drift from traditional apartheid ideology.

Thus, for example, it is reported that the Government *is now talking of a single Parliament*, but containing three separate "chambers" for whites, coloureds and Indians, a clarification which harks back *directly to internal National* Party proposals of 1977.

The Government has also made it known that it is going to reject the President's Council recommendation for a separation of executive and legislature.

Although this point is funda*mental* to the President's Council Report, it has all along been clear that if it were implemented the National Party leadership would risk losing control of their own parliamentary caucus, which *would jeopardise the prospects* for reform.

The National Party is democratically organised and this weekend's extraordinary caucus *meeting is only the beginning* of a lengthly process of consultation designed to carry the party along with the reforms to which the Prime Minister is said to be committed.

The "guidelines" approved at Cape Town this weekend are now to be taken back to the provincial party caucuses. The party will then gather again at an *extraordinary Federal Congress of Bloemfontein* in late July, which will in turn make recommendations to the provincial party organisations

Portuguese Cabinet in weekend reshuffle

BY DIANA SMITH IN LISBON

PORTUGAL'S Ministers of Foreign Affairs, Education, Labour and Parliamentary relations, along with six Secretaries of State, have been replaced in a weekend reshuffle by Sr Francisco Balsemao, the Prime Minister.

Sr Balsemao said there was a need for a new dynamic in fundamental areas. His Centre-Right coalition of Social Democrats, Christian Democrats and Monarchists faces local elections later this year, and there has been persistent criticism from all walks of life of the Cabinet's lacklustre performance.

The new Minister of Labour is Sr Luis Morales, who is said to be well versed in Portugal's particularly difficult labour relations.

Sr Vasco Futcher Pereira, one of the nation's most respected diplomats, replaces Sr Andre Goncalves Pereira, as Foreign Affairs Minister. He may try to establish smoother relations with Portugal's negotiators from other ministries on entry into the EEC. Portugal's progress towards EEC entry has been particularly difficult recently.

The new Minister of Parliamentary Relations is Sr Marcelo Rebelo de Sousa, former deputy editor at the weekly newspaper Expresso, which Sr Balesemao previously headed. He is a young Social Democrat politician who has built up a considerable sphere of influence while working as a secretary of state at the Prime Minister's department.

Portugal's long awaited constitutional reform is moving with agonising slowness through Parliament and Sr Rebelo de Sousa may be used to inject life into the proceedings.

Poll shows French back price freeze

By Terry Dodsworth in Paris

THE FRENCH Government would have the support of a substantial majority of the voting public if it decided on austerity measures to deal with the country's economic problems.

This finding emerged yesterday in a public opinion poll which showed that 74 per cent of those questioned would accept wage controls as long as they were accompanied by a prices freeze.

The poll, published by the weekly newspaper Le Journal du Dimanche and conducted by IFRES, one of the leading French polling agencies, comes at a time when the Government is believed to be considering policy changes in an attempt to *bring down inflation and defend* the long-term position of the franc.

Various leading Ministers, including M Pierre Mauroy, the Prime Minister, have talked of the need for a "change of gear" in the past few weeks. M Jacques Delors, the Economic and Finance Minister, has also called for more "rigour and realism" in economic policy.

The poll indicates that these remarks are having some effect on public opinion. While 40 per cent of the 1,000 people questioned believe that the Government's economic policy has not been a success, 58 per cent would accept an austerity programme.

The most popular measure—supported by 76 per cent—would be a control of prices, believed to be one of the changes being considered by the Government. Wages controls would be acceptable to almost as many people if accompanied by limitations on prices.

While the Government's emphasis on tackling the unemployment problem is attracting widespread support—71 per cent believe that this is the priority issue—anxiety over inflation is also strong.

U.S. suggests new ideas for interim future

BY ANDREW WHITLEY

THE U.S. is reported to have presented Britain with a five-point plan for the interim future of the Falkland Islands once they have been fully recovered.

According to yesterday's Weekend World programme on London Weekend Television, the plan was put to Mrs Thatcher by President Reagan in Versailles shortly before the opening of the seven-nation summit conference.

It is consistent with the British Prime Minister's publicly stated desire to broaden responsibility for the Falklands, but differs fundamentally from the prevailing view in London in envisaging talks in the near future on the Falklands' status, and an invitation to the discussions for Argentina.

The U.S. plan, said to have been drawn up by General Vernon Walters, Mr Haig's special envoy and the American official closest to the junta in Buenos Aires, is evidently designed to minimise the long-term damage to American relations with Latin America that Washington feels the crisis has already caused.

The accuracy, or completeness, of the details as revealed by the programme has not been confirmed independently. But Mr Cecil Parkinson, a member of the Government's inner Cabinet, speaking on Weekend World, tacitly acknowledged that proposals on these lines could have been made by the U.S.

They involve:

● The withdrawal of the British Task Force from the southern hemisphere as soon as the recapture of the Falklands is completed.

● Recognition by Britain that the Islands have a special and unique status, requiring Britain to concede part of its sovereignty.

● The establishment of a multi-national supra-administration at Stanley, while allowing the former government structure to remain.

● The participation of Brazil, Jamaica and the U.S. itself, with Britain, in what would be an interim administration. Brazil and Jamaica were said to have been approached already, and to have agreed in principle.

● The opening of negotiations within three to six months' time on the future of the Falklands. Argentina would be allowed to attend, if it wished.

Given the stark alternatives presented by Mrs Thatcher and the British forces now massing on the hills above Stanley, the Walters plan would cell find favour in Buenos Aires. It would not prevent a military defeat, but could be used by the hard-pressed junta to show Argentines that the fighting had not been all in vain.

For those reasons alone, it is likely to be unacceptable to the British Government. But the failure of yet another American initiative, in the wake of the row over Friday's voting mix-up at the United Nations Security Council, will have wider implications.

The limitations on major regional powers, notably Brazil, coming to Britain's aid are likely to become apparent, if both London and Washington pursue their ideas of inviting outside participation.

Britain would like outside help to spread the responsibility and cost—both political and financial—of retaining full British control over the South Atlantic islands well into the future. But Latin American diplomats feel Britain will find few takers among Argentina's neighbours for such a role.

Brazil feels itself to be in a vulnerable and highly delicate position between Britain and Argentina. This was highlighted by its last-minute change of mind over what to do with the British Vulcan bomber which made an emergency landing at Rio de Janeiro on Thursday.

After representations by Argentina, in protest against the original decision to let the bomber resume its journey, Brasalia decided it had to keep faith with its multilateral defence treaty obligations to Argentina. The aircraft is likely to be held at Rio's military airbase for the duration of the hostilities, with all the attendant risks of the disclosure of its military secrets.

Threat to Unitas exercises

By Hugh O'Shaughnessy in Buenos Aires

FURTHER evidence of the strains on U.S. ties with its South American allies over Washington's stance on the Falklands crisis emerged at the weekend, when a number of South American governments indicated they may withdraw from annual naval exercises due to be held with U.S. forces later this year.

Brazil, Ecuador, Peru and Venezuela have either renounced or hinted strongly that they would join Argentina in boycotting the Unitas exercises as a sign of displeasure with U.S. support of Britain on the Falklands issue. The exercises were due to take place in October and November, with the U.S. squadron steaming round South America from east to West.

A military official in Brazil was quoted in Buenos Aires as saying that the exercise would be "inopportune" this year. President Oswaldo Pertado of Ecuador has issued a statement saying that the Ecuadorean navy would not participate in UNITAS this year. The Peruvian Prime Minister, Sr Manuel Ulloa, stated that while the final decision on the matter would rest with President Fernando Belaunde, he "presumed" the exercise would not go ahead, and the Venezuelan foreign minister, Dr Alberto Zambrano, dismissed the possibility of Venezuelan participation.

In response to strong Panamanian support of the Argentine invasion of the Falklands, Gen William E. Masterson, deputy commander of the U.S. Southern Command in Panama, stated that no logistical support for Britain had gone from U.S. bases in Panama.

Argentina has, meanwhile, made no public move to accept offers of aid from Latin American armies and military observers in Buenos Aires point out that the Argentine high command would have severe logistic and command difficulties if it were to find an assortment of forces at its disposal used to tropical conditions and unfamiliar with the sub-anarctic temperatures of Patagonia.

Angry commanders tighten curbs on news

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT

OPERATIONAL information on the campaign to capture Port Stanley is being restricted to a decreasing number of officials, politicians and serving officers, according to sources in Whitehall.

The restrictions have applied for at least the past six days and partly explain why the Ministry of Defence in London has maintained a complete news blackout on the fighting.

The only news which has come from East Falkland is what the British commanders on the spot have agreed to release through journalists with the task force.

It is understood that the restrictions have been imposed at the request of the commanders, who are angry at the way they believe politicians and officials have "leaked" information which could be of use to the Argentines on the islands.

Rear Admiral John Woodward, overall commander of the task force and General Jeremy Moore commander in chief of land operations are believed to have asked military headquarters at Northwood to release as little extra information about the compaign to as few people as possible, for fear of jeopardising the recapture of Port Stanley.

For their part, the commanders themselves may also be sending less information on the campaign to London.

As a result, it would appear that many senior serving officers and officials in the Ministry of Defence and elsewhere, who have so far known about operations and their timing, now do not know.

It is suggested in Whitehall that such information has also been kept from some Ministers, at least in the detail in which they were receiving it at the outset.

The Government's policy all along has been to give the task force commander a great deal of operational freedom within his broad political directives.

The orders of Gen Moore, as commander of land forces, are to recapture Port Stanley and repossess the Falkland Islands, but how he does it is very much up to him.

Gen Moore's anger, shared by his troops, was apparently sparked by two incidents, both broadcast on the BBC World Service as well as on domestic radio and in several newspapers, although the latter have no immediate impact in the Falklands.

The first related to the capture of Goose Green eight days ago. The second concerned the disembarkation of the 5th brigade from the QE2 in South Georgia, reported apparently as it was about to happen.

It emerged at the weekend that Col Herbert "H." Jones, commanding officer of the 2nd battalion, told reporters before he was killed that he intended to sue the BBC for manslaughter when he got home.

His anger stemmed from a BBC report, following statements and meetings in the House of Commons involving Mr John Nott, the Defence Secretary, that an attack on Goose Green was imminent. The broadcast resulted in a change of plan with the settlement having to be taken, rather than neutralised, Col Jones had said.

At the weekend, the BBC reiterated its call for an official or judicial inquiry into how information about military operations has been handled in the Defence Ministry. The BBC had no information that was not readily available to other journalistic organisations from official sources, including the MoD, it said, pointing out that two London newspapers had reported the taking of Goose Green two days before it happened.

● A campaign to free the three British journalists held for the past eight weeks in Ushuaia, southern Argentina, has been officially launched in London.

Ian Mather and Tony Prime of the Observer and Simon Winchester of the Sunday Times have been in custody since April 13. They deny all charges against them, insisting that they were on purely journalistic assignments, but could face another six months under arrest before they come to trial.

The campaign is chaired by Dr Garret FitzGerald, former Prime Minister of Ireland, and organised by the editors of the Sunday Times and Observer, among others.

A Falkland Islander drives his tractor and trailer, laden with British troops and supplies, through the East Falkland settlement of Teal Inlet. Meanwhile, about 1,000 Argentine prisoners were yesterday being put on a British ship off the Falklands to begin their journey back to Argentina.

The prisoners, captured during the retaking of Goose Green and Darwin by British paratroops, were being embarked on the Norland in the Falkland sound.

Survivors from the Atlantic Conveyor, the container ship hit by an Argentine missile, will be arriving back in Britain today. The 134 survivors, including members of the three armed services and the mercant navy, will be flown to RAF Brize Norton, Oxfordshire.

Kirkpatrick 'embarrassed' at confusion over UN vote

BY OUR UN CORRESPONDENT

WHETHER THE United States delegation's failure to vote according to State Department directions on the Falklands ceasefire resolution in the security council on Friday was a result of a communications lapse or something more devious, it has not helped the American diplomatic image in the UN.

When Mrs Jeane Kirkpatrick, the American delegate sitting alongside Britain's Sir Anthony Parsons, raised her hand to veto the draft, it was the expected response, notwithstanding common knowledge that she would have preferred to abstain.

But when a few minutes later Mrs Kirkpatrick informed the Council that she was instructed to say that if it were possible, she would change her vote from a veto to an abstention, delegates listened in disbelief.

There was some tittering in the usually subdued chamber as they digested this development and, in whispered conversations, speculated on the meaning of the unprecedented American action.

Sir Anthony's expression was one of mixed amusement and irritation as Mrs Kirkpatrick showed him a note containing her revised instructions. These had been telephoned from Versailles, where Alexander Haig, Secretary of State, was accompanying President Reagan at the economic summit.

According to American officials, while the pre-vote debate was going on, repeated attempts had been made to reach Mr Haig. Mrs Kirkpatrick believed the revised resolution linked the cease-fire and Argentine withdrawals strongly enough to permit the U.S. to abstain, as the French delegation did.

Japan was among nine delegations, including the Soviet Union and Poland that voted for the resolution — causing considerable consternation in British diplomatic circles.

When the new American directive was received, by telephone in an ante room, some diplomats were reported to have let out a whoop of delight. By the time they delivered the orders to Mrs Kirkpatrick, it was too late. The votes had been taken.

Under UN rules, there is no way to change a vote once cast, although a member may record an error, and at every general assembly session there are a few cases of delegates pressing a wrong button. In the 15-nation council, votes are by a show of hands.

Mrs Kirkpatrick said after the incident that she was embarrassed by it, remarking "anybody would be embarrassed, wouldn't they?"

Emphasising that she had followed orders in casting the veto and then done as she was told in informing the council that she would have liked the vote changed, she said: "I acted throughout as an instructed representative of my Government."

It was only late on Friday, she said, that the U.S. learned of Britain's decision not to explore possibilities for further revisions to th draft restolution but to cast a veto.

She added: "It is perfectly clear that the problem arose out of the effort of my Government's officials, operating from Paris, to arrive at decisions on the basis of the latest British decisions."

It was not the fault of any "disorganisation of our policy process," she insisted. "It happened because of the physical dislocation of principal officers of our Government."

Japanese investment hits exports

BY PAUL CHEESERIGHT, WORLD TRADE EDITOR, IN TOKYO

THE QUICKENING pace of Japan's direct investment overseas is beginning to have an effect on the level of exports. This ties in with the desire of Japan's Western trading partners both for more restrained exporting and for a higher proportion of Japanese manufacturing capacity to be sited overseas.

Exports this year will be up to $4bn (£2.1bn) less than they would have been without the higher level of investment, according to estimates prepared by economists at Marubeni, fourth largest of the major Japanese trading houses and a significant exporter.

Japanese investment world wide was $4.9bn in 1981, compared with $2.4bn in 1980, the economists noted.

The effects of this investment, directly encouraged by the Japanese Government, is one of five factors contributing to the slowdown in Japanese exports that first became apparent in the last quarter of 1981.

The other factors are sluggish demand caused by the international recession, the high level of stocks held by Japan's customers resulting from the inability of markets to absorb the 30 per cent volume increase in Japan's exports between 1979 and 1981 and the high number of voluntary export restraint agreements.

Japan's exports in 1981 were worth $149.5bn and the Marubeni economists are forecasting that there will be no increase this year. Although they see a slight recovery in the international economy taking place towards the end of the year, they doubt whether it will be beneficial to Japanese exporters.

In this situation, the existence of the export restraint agreement is seen as being of less signficance than market conditions.

It is generally estimated that about 20 per cent of Japan's exports are covered by restraint agreements of one type or another.

Pressure for restraint agreements has been a feature of the Western response to Japan's aggressive exporting.

Japanese exporters have therefore intentionally raised the level of their investment overseas in an attempt both to head off further demands for export restraint and to go round the agreements which already exist.

Nigerian rail plans boost export prospects

BY QUENTIN PEEL, AFRICA EDITOR

THE NIGERIAN Government's decision to press ahead with its $2.5bn new standard gauge railway, confirmed by the award of six construction contracts in recent weeks, will open up a big market for exporters of steel, construction and track-laying equipment.

The 300-mile railway from Port Harcourt to the steel plant being built at Ajaokuta, on the Niger River, will also require equipping with rolling stock, locomotives, and a signalling system, providing a market of up to £200m for British manufacturers, according to railway industry officials.

The go-ahead for the railway has been given by the Nigerian Government—albeit not yet publicly announced—in spite of the austerity programme and import restrictions announced by President Shehu Shagari in April.

French exporters are favourites to win a big share of the expected business, following the success of French contractors—Dumez and Dragages et Travaux Public—in two of the six sectors.

But British business is also well placed to win orders, because financing for at least three other sectors is expected to include backing by the Export Credits Guarantee Department (ECGD) for British procurement.

Financial packages for the six contracts, ranging in value from $350m to $400m, are currently being arranged, involving a mixture of export credits for the offshore content, and Euromarket finance for the Nigerian naira cost.

The largest amount of British procurement from the civil engineering contracts is expected to come from the Chinese-Swiss consortium (involving Noga and Elektrowatt of Switzerland, and the Chinese Civil Engineering Construction Corporation) which expects to buy some £150m worth of steel and equipment in the UK.

Stirling International, part of a consortium with Impresit of Italy, expects to place orders worth some £45m in Britain, while Partizanski Put, of Yugoslavia, is also looking for UK suppliers.

Thai Airways improves deal with London

BRITISH and Thai officials have signed an agreement giving Thai Airways International, the country's flag carrier, significantly better terms for its three weekly flights to London.

According to a joint statement, a requirement that the Thai airline make two intermediate stops between Bangkok and London will be relaxed over three years.

As from 1985, the Thai airline will only have to make one intermediate stop, giving it what one British official described as "a more attractive product."

A restriction on passenger numbers will also be dropped after this summer. Under present arrangements, the limit per flight is 270, based on the capacity of a DC-10.

Thinking ahead for the Panama Canal

BY ANDREW FISHER, SHIPPING CORRESPONDENT

THE PANAMA CANAL Commission now reckons it can keep pace with shipping traffic until the early 1990s, having licked the congestion which became an embarrassing problem in recent years. After that, the canal will have to be enlarged or a costly new sea-level crossing built.

Mr Dennis McAuliffe, the canal's administrator, expects traffic to ease off by 15 per cent or so over the next couple of years and then to start climbing again. Tolls are going up by 9.8 per cent in October to offset business which a new oil pipeline will take away.

The trans-Panama pipeline is due to open near the end of 1982. The canal is likely to lose some 1,500 ships a year and revenues of over $50m as a result. The toll rises will offset some of the loss of revenue and internal cost-cutting the rest.

The fiscal year to end-September 1981 was a record breaker for the canal. More than 170m tons of cargo on nearly 140,000 vessels went through the 50 miles dividing the Atlantic from the Pacific. Tolls brought in $303m.

Mr McAuliffe, a trim 60-year-old who prefers not to use his U.S. Army title of general, says revenues will probably dip below $300m in fiscal 1983 after raising between $320m and $330m this year. The government of Panama took a share of nearly $80m from the toll revenues last year.

The canal commission is spending up to $100m a year to improve and maintain the canal. In fiscal 1981, this included nearly $32m of capital investment in new equipment.

"Our congestion problem is behind us," he says thankfully. Between late 1979 and early 1980, as many as 180 ships were queuing up for transit. "That stirred me into action," he adds. Some of the ships had to wait for four or even five days to get through.

Since then, there have been other jams, but none have been so serious.

Mr McAuliffe, who is spending this week at the Posidonia shipping exhibition in Greece, after a visit to London, became the canal's administrator in October 1979 under the terms of the Panama Canal Treaties of 1977. The U.S. will run the canal until the end of 1999 and then hand it over to Panama. There is no longer a canal zone with its own government.

Dayco sues over Soviet trade deal

By Tom Sealy

DAYCO CORPORATION of Ohio, one of the U.S.'s biggest industrial rubber manufacturers, is suing a New York trading agency, Foreign Transactions Corp, for fraud and losses totalling some $40m (£22m) arising from a trade deal with the USSR.

In 1979 Foreign Transactions Corporation approached Dayco with 13 Soviet orders worth $117m. It offered to act as the direct seller to the Soviet buyers for a commissions of sales, and insisted that the commission was paid in advance.

This was not normal Dayco practice, but the lure of major profitable business at a time when the U.S. automobile industry was depressed was too much for Dayco to resist. Payment of a $13m advance commission was agreed.

Dayco claims that from 1980 to mid-1981 it carried out $47.3m worth of work on the orders.

By the end of last year Dayco had received only $6.6m from the Corporation with, it claims, no satisfactory explanation for the missing $40.7m.

When Dayco contacted the Soviet buyers directly they discovered that their lucrative Soviet contracts did not exist. According to Dayco's complaint filed at a New York district court only one order, worth $883m, presented to the company by Foreign Transactions was genuine. Of the others 11 were said to be entirely fictitious and one partially fictitious.

Dayco is now sueing Foreign Transactions Corporation for the $13m advance commission and over $25m for fraud and other relief.

Mark Webster reports on Multitone's bleeper

'Pocket telex' pages overseas

WHAT HAVE the British Ministry of Defence, the Moscow Olympics and a team of gravediggers all got in common? They have all used radio paging or "bleeper" systems manufactured by the London-based company Multitone.

Multitone is the only major British manufacturer of the cigarette packet-sized "bleepers" which tell you that you are wanted in the managing director's office or on the telephone.

In terms of overall sales, it is a minnow by comparison with its major competitors such as Philips of Holland, Motorola of the U.S. and Telefunken in West Germany. But by specialising only in the radiopaging business, Multitone reckons it has kept well up with its rivals who have much bigger electronic fish to fry.

The result has been an impressive growth record over the past decade, with turnover increasing by an average 19 per cent annually to an estimated 1982 turnover figure of £16.5m.

Profits have also been buoyant so that for the year ended March 31, the pre-tax profits are expected to be £1.75m, a 23 per cent increase on the previous year. "We have a strong sense of the imperative growth," said Mr Ian Karten, Multitone's chairman and chief executive.

More than 60 per cent of Multitone's sales are abroad, either manufactured in its plant at Marham, Norfolk, or in the factory which it built in Malaysia.

To push foreign sales, Multitone has built up its own marketing companies in four countries and has distributors in a further 70. Each year, the sales force is expanded.

Multitone is clearly proud of its research and development work which currently involves more than 10 per cent of the total staff of 820 (480 of them in the UK) and will have a budget this year of some £1.3m.

The pressure on Multitone to keep up with the giants in the electronic world which have interests in radiopaging are considerable since the systems have come a long way from the simple "bleepers", introduced in the 1950s, to the sophisticated machines of today.

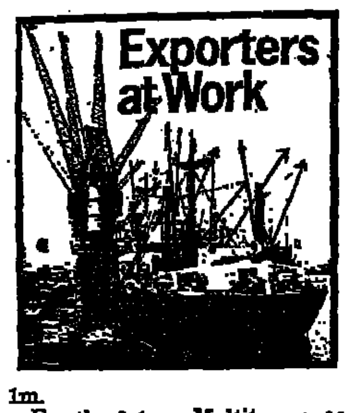
As well as transmitting voice messages, modern radiopagers can put out a group alert with a single message, connect two people with bleepers through the central switchboard for a chat, connect two people without being connected manually through the operator, and, with the use of the digital system, carry messages much more quickly.

The radiopaging business was pioneered in the U.S. in the 1950s. Since then, two distinct areas of commercial interest have emerged.

On the one hand are the "on site" systems which are used in industry, hospitals, hotels and stores for contacting mobile members of staff. The second is the "public paging" system which British Telecom operates and which allows people anywhere to hire a pager

Multitone has been successful in selling both types of radiopaging equipment and has been helped in the home market by British Telecom's willingness to invest heavily in the nationwide system to the point where it has become Multitone's biggest single customer, with 7.5 per cent of total sales last year.

According to Mr Karten, Britain is well ahead of the rest of Europe in the use of radiopaging equipment with some 25 per cent of European users estimated at more than



1m.

For the future, Multitone sees a greater demand for the tone-only signalling equipment since voice transmissions take up too much valuable line time. It takes the same time to send 1,500 voice transmisssions as it does to send more than 1m tone-only signals.

It also expects the radiopager of the future to have a facility for the read-out of a written message as well as the figures already available. "The telex in your pocket," as Mr A Biancardi, manager of Multitone's Business Communications International, described it.

In the meantime, there are plenty of novel applications to explore. In one German vineyard, a man in a central watch tower uses the selective switching gear of a radiopager to fire guns and scare off birds.

In Britain, a widely dispersed set of huts for battery hens are linked to a central system so that if there are fluctuations in temperature, a technician is automatically bleeped with a code which tells him which hut is in trouble. "It has saved them a lot of money. Technicians are expensive," says Mr Karten.

World Economic Indicators

INDUSTRIAL PRODUCTION

					% change over previous year	Index base year
	Apr. '82	Mar. '82	Feb. '82	Apr. '82		
U.S.	140.7	141.5	142.7	151.9	−7.4	1967=100
	Mar. '82	Feb. '82	Jan. '82	Mar. '81		
W. Germany	114.3	117.3	118.1	117.0	−2.3	1975=100
UK	104.1	103.3	104.4	101.5	+2.6	1975=100
France	112.5	112.8	113.1	113.4	−0.8	1975=100
Netherlands	106.3	106.4	105.7	105.6	−2.1	1975=100
Italy	124.0	126.2	122.7	127.1	−2.4	1975=100
	Feb. '82	Jan. '82	Dec. '81	Feb. '82		
Japan	150.4	149.7	149.8	145.6	+3.3	1975=100

Source (except U.S. and Japan): Eurostat

SHIPPING REPORT

Further fall in rates on dry cargo market

BY ANDREW FISHER

RATES dropped even lower on the dry cargo market last week, while the tanker scene remained cheerless. On the sale and purchase market, business was also fairly slack with many key operators already setting out for the Posidonia shipping exhibition in Greece which starts today.

On the Atlantic, freight rates came down substantially. Chinese charterers, who had fixed at $31 the week before last, brought the U.S. Gulf-China grain rate down to $27.50 a ton. The rate from the U.S. Gulf to Japan also eased by about 50 cents.

Denholm Coates said that the U.S. Gulf/Continental Europe grain level, steady for many weeks at just under $12 for the 50-55,000 deadweight ton size, declined to $10.25 a ton. The Far East, the broking firm added, "remains bad news for everybody."

Labour 'in a state of collapse'—Weighell

BY PETER RIDDELL, POLITICAL EDITOR

THE LABOUR PARTY is "bankrupt, ineffective and in a state of collapse" and without a "cat in hell's chance" of winning the next election, Mr Sid Weighell, general secretary of the National Union of Railwaymen claimed yesterday.

Mr Weighell's comments, to the annual conference of his union's branch secretaries, underline the low morale among many sections of the centre and right of the party following recent poor election results and the reopening of internal divisions.

A period of intensive meetings on a series of controversial issues begins this week with little hope among Labour leaders that unity can be maintained. Behind the issues is the continuing row between the parliamentary leadership and Mr Tony Benn and his allies, which has been aggravated by Mr Benn's opposition to the official Labour line on the Falklands dispute.

Mr Weighell, noted for his outspoken attacks on the left, expressed many of the current frustrations when he attacked Militant, the "hard-left" group, for destroying the party from the inside. Broadening his attack, he said Mr Tony Benn should lead his own party with its own policies and should not "contaminate the rest of us."

In general, shadow cabinet members have limited themselves in public to exasperation and appeals for unity, in the hope of encouraging Mr Michael Foot, the Labour leader, to take a tough line against Mr Benn and his supporters.

But in private some Labour leaders are more critical of Mr Foot and believe that the way he deals with the internal report on Militant will be a key test of his leadership. This is due to be considered by the national executive committee on June 23. The signs so far are that the report will show that Militant is a separate organisation concerned with infiltrating the Labour Party and is therefore, according to many Labour MPs, in breach of the party's constitution.

Many prominent members of the shadow Cabinet believe that strong action is necessary to restore the party's credibility. But Mr Foot has always been opposed to expulsions, and it might be difficult to get any tough line approved by the party's annual conference.

The other immediate problem concerns the status and content of the party's programme and how it should be considered by the annual conference in September. Meetings of the national executive committee and of its representatives with the shadow Cabinet over the next two days will consider proposals that the massive 300-page-plus programme should be debated and voted in sections, and that new policy should be separately identified.

The issue has already provoked a furious row in which Mr Tony Benn has been accused of leaking his version of a private meeting.

Labour will be hoping for some consolation at the Coatbridge and Airdrie by-election in Scotland on June 24 where it is defending a majority of more than 15,000 in a previously safe Labour seat. The speed of the by-election following the death of Mr James Dempsey has prevented the Liberals from having any time to organise and the Scottish Nationalist Party is now bitterly divided.

Role urged for nationalists in creation of 'pluralist' Irish state

BY OUR BELFAST CORRESPONDENT

IRISH NATIONALISTS in Northern Ireland should press in the Irish Republic for the creation of a pluralist state, Dr Garret Fitzgerald the former Irish Prime Minister, said in Belfast this weekend.

Dr Fitzgerald, leader of the Irish Fine Gael opposition party, said nationalists had the power to dispel the "legitimate fears" of Unionists in Northern Ireland and thereby remove the most crucial obstacle to fresh thinking about political structures in the island.

The responsibility to change the situation lay primarily with the people of the Irish Republic themselves, he told a conference on political options organised by the mainly Roman Catholic Social Democratic and Labour Party.

However, attitudes in the Republic would be deeply influenced if Northern Ireland nationalist opinion was to bring its full weight to bear on the problem. Nationalists i nthe North were entitled to demand that the people of the Irish states—if they were serious about working towards a solution—should be willing to create a pluralist state, he said.

He repeated his proposal that there should be an additional cross-border police force in Ireland to crack down on terrorists. It should be run on the lines of the FBI in the U.S., which operated in tandem with state and city police.

Meanwhile, Mr James Molyneaux, leader of the Official Unionist Party, said the threat to the union between Northern Ireland and Great Britain had lessened as a result of Ireland's refusal to back Britain in the Falklands dispute.

Mr Molyneaux was addressing the first meeting of the Council for the Union, a loose coalition of Ulster and other British politicians who broadly favour the Province's integration with the rest of the UK. The council is to organise a London conference later this year.

Warning on LT services

THE SERVICE cuts being pressed forward by London Transport "will cause major hardship to passengers reliant on buses and tubes", says Mr Ian McLeod, chairman of the London Passengers Committee. The cuts follow last year's House of Lord's decision on the GLC's Fares Fair policy.

"Evening and weekend travel will be badly hit, with 20 or 30-minute intervals common on many suburban bus routes and fewer services on the Underground," said Mr McLeod, introducing the committee's 1981 annual report, published today.

"One option being considered because of cuts in investment and the need to plan to break even commercially is to cut bus services by half to just 90m bus miles operated by 1990".

The committee — an independent body established by statute to represent the interests of users — urges that the GLC be given responsibility for all elements of London's transport policy and administration.

Health Department denies bias for ICL

BY JASON CRISP

A DECISION by the Oxfordshire regional health authority to award a substantial contract to ICL, Britain's largest computer manufacturer, is likely to fuel the growing controversy over public procurement of computers.

The U.S. company Burroughs is reported to have been favoured by officials and ICL was the fourth choice. There have been reports that government pressure was put on the authority to opt for the British company. However, the Department of Health said yesterday that there was no question of the Government trying to exert influence on the authority, which took its decision on Friday.

Both the EEC and GATT rules require large government computer orders to be decided by open tender.

In a similar row IBM, the U.S. computer Company, is taking the Seven Trent Health Authority to court over its decision to buy an ICL computer contrary to technical recommendation favouring IBM.

The Department of Health is a large purchaser of computer systems and most of its equipment is made by ICL.

ICL encountered severe financial difficulty in 1980 and received substantial government help, mainly in the form of loan guarantees.

Unit-linked life policy proposals disputed

By John Moore, City Correspondent

MERCHANT Investors Assurance Company has told Professor Jim Gower, who reviewed investor-protection on behalf of the Trade Department, it is surprised his "sweeping provisional conclusions" on unit-linked life assurance differ from an earlier study of that sector.

Prof Gower is a company law expert and adviser to the Trade Department. His preliminary proposals were drawn up after a series of failures of investment companies last year.

The assurance group says many of the proposals concerning unit-linked life assurance ignore the conclusions of the Scott committee, which studied this sector in detail in 1973.

Merchant Investors agrees with the Scott committee that unit-linked life assurance is not fundamentally different from any other form of life assurance and that its distribution should not be subject to separate regulation.

Prof Gower reported there was a failure to treat "like with like" under the present regulatory system, particularly regarding the differing treatment of life assurance and other forms of investments.

He said: "This resulted from the report of the Scott committee and the subsequent express exclusion of policies of insurance from the provisions of the Prevention of Fraud (Investments) Act. It is my impression that this is now generally regarded as a mistake."

Merchant Investors has told the professor it is "not aware of any such general feeling." It saw "no reason why the promotion of linked life assurance policies should be the subject of a regulatory framework different from that applicable to other types of assurance.

"The Scott committee arrived at this view after receiving a considerable body of evidence and we are surprised that this conclusion should be dismissed with so little supporting argument."

The group says it "would be unwise if, in the search for uniformity of regulatory structure with quite disparate investment markets, a new framework of regulation was to be imposed on the insurance industry."

It did not see "any real merit in the suggestion that an industry body should be formed to take over from the Department of Trade the detailed regulation of the life insurance market."

It felt, however, there was some need in the life-assurance industry for an independent body to deal with policy-holders' complaints "without recourse to the expensive process of law."

Banks claim trend for cashless pay

BY PAUL TAYLOR

MORE THAN half the 23.4m working population is paid by cheque or by direct credit transfer into a bank account and almost three in four workers have a current account, according to figures published today by the Inter-bank Research Organisation on behalf of major retail banks.

Significantly fewer people were paid in cash last year. There is a continuing trend towards monthly rather than weekly pay-packets.

The high street banks claim major success for a campaign started in January, 1981, to persuade employers and trade unions to accept cashless pay which, they say, is cheaper and safer.

Between 1979 and 1981 the proportion of people paid in cash fell from 54 per cent to 44 per cent, according to the figures.

Over the same period the number of employees paid weekly fell from 64 per cent to 57 per cent, or 13.4m. The banks believe that by 1983 more people will be paid monthly rather than weekly.

The figures show 72 per cent of the working population has a bank current account compared with 51 per cent in 1976. Even among those still paid in cash about half has a bank account.

Mr John Cox, chairman of the banks' working group in charge of the campaign, said he was confident even more rapid progress would be made in the next two years.

He said the banks believe that within the decade more than 80 per cent of workers will have moved to cashless pay.

WAGE AND SALARY PAYMENTS IN THE UK

	1969 %	1976 %	1979 %	1981 %	1981 m
Cash	75	59	54	44	10.3
Cheque	10	12	14	15	3.4
Direct to bank account	15	27	31	38	9.0
Other	—	2	1	3	0.7
Total	100	100	100	100	23.4
Weekly*		67	64	57	13.4
Monthly†		33	36	43	10.0
Total		100	100	100	23.4

* Includes fortnightly pay (2 per cent in 1981)
† Includes 4-weekly pay.

Source: Inter-Bank Research Organisation

Leumi provides cashpoint service through Lloyds

BY PAUL TAYLOR

BANK LEUMI (UK), the London-based retail banking subsidiary of Israel's largest bank, is to provide its UK customers with a free cash dispensing service in a link-up with Lloyds Bank.

The arrangement, believed to be the first between a major UK High Street bank and a subsidiary of an overseas bank, will allow Leumi's customers access to Lloyds' 1,200 cashpoint machines throughout the UK.

Bank Leumi will be meeting the full cost of the service.

Mr Joseph Wegrzyn, Bank Leumi UK's director and general manager, said it would be able to provide its UK customers, numbering more than 10,000 mostly in the London area, with "the same type of service as the group is giving its customers worldwide."

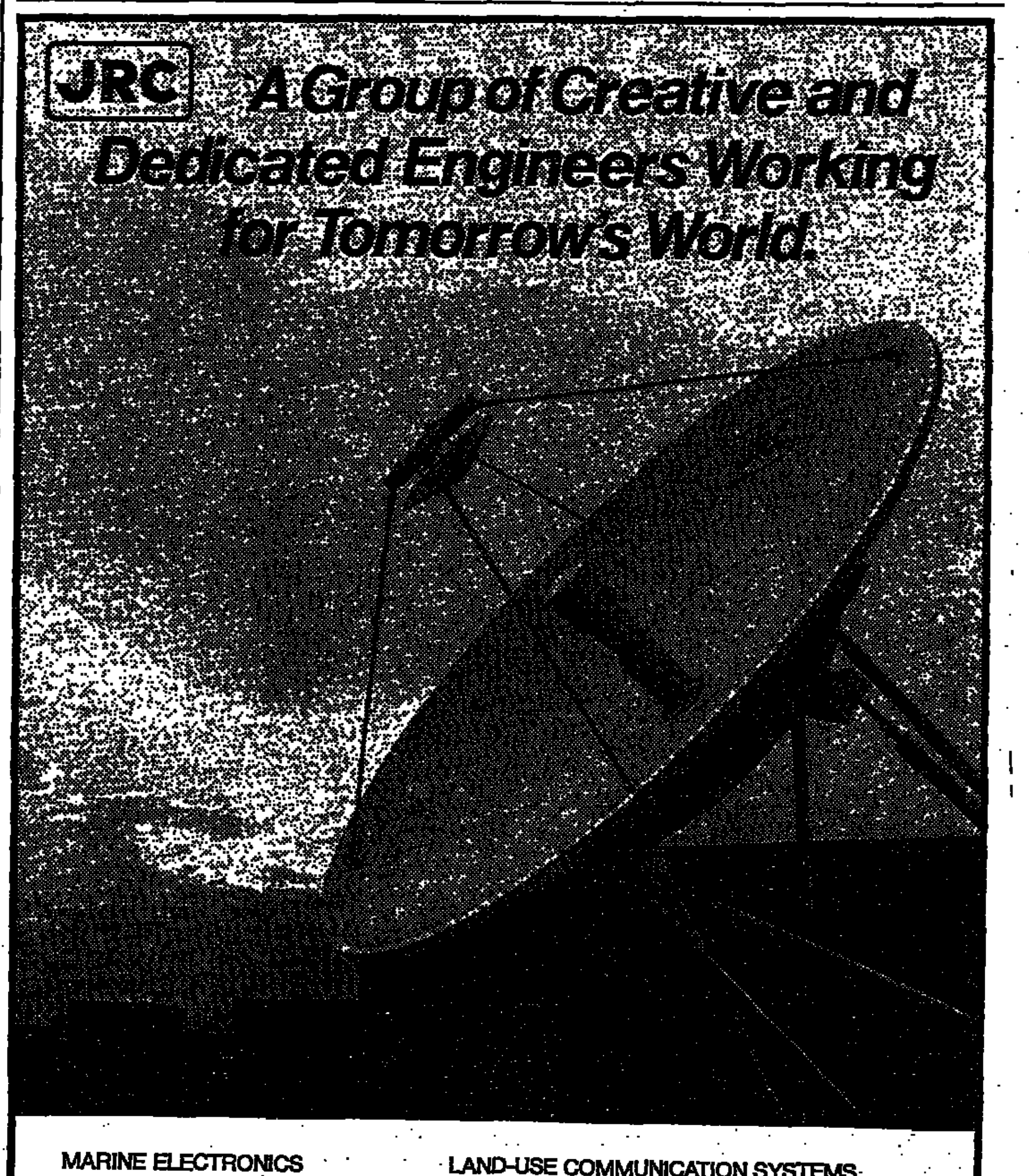
Lloyds Bank said the deal with Bank Leumi could provide the basis for arrangements with other overseas banks although no negotiations are going on at present.

Bank Leumi has 450 offices in 19 countries and is one of the world's largest 100 banks in terms of assets. The bank has five branches in the London area.

Carpet souvenirs

SOUVENIR CROSSES made from a carpet on which the Pope stood to say Mass during his tour of Britain are being put up for sale at £5 each.

So far, nearly 1,000 people have written to the carpet company to order a cross, all of which are authenticated by the signatures of four Roman Catholic bishops.



Steel imports up after domestic prices increase

BY IAN RODGER

THE LATEST threat to Britain's beleaguered steel industry comes from importers taking advantage of recent price increases.

Steel import figures for February, published last week, show a 65 per cent volume increase over February 1981 when UK prices were severely depressed, and 14 per cent above the average rate in 1979, the last year in which the steel industry performed normally.

In the past year, UK steel prices have risen about 25 per cent as a result of production quotas and price support measures imposed on all EEC producers by the European Commission.

EEC industry ministers meet in Luxembourg tomorrow to discuss the renewal of these measures. The ministers will face strong pressure to accompany the internal controls with more effective restraints on imports from third countries.

Existing voluntary restraint agreements are based on importers' traditional levels of shipments and so are ineffective now that European markets have contracted sharply. They also deal only with gross tonnages.

"The Commission should be more adept at recognising pressure on specific products," Mr Richard Rawlins, executive director of the National Association of Steel Stockholders, said.

The products most affected by import pressure so far appear to be light sections, wire rod and reinforcing bars.

The joint venture by British Steel Corporation and Guest, Keen and Nettlefolds—Allied Steel and Wire—which is the UK market leader in light sections, has responded by cutting its prices on the 12 most popular sizes.

In one case—102mm by 51mm channels—the reduction was about £40 per tonne from the 1979 list.

Mr Ray Farthing, sales manager for Allied's sections, said Italian imports of 50mm by 50mm by 6mm angles were being offered at £185 per tonne compared to £196 by Allied which had lowered its price by about £20 per tonnes from its 1979 list.

UK producers of wire rod and reinforcing bars have preferred to hold their prices and lose market share. As a result, they are asking the Commission to decree that mills make even more severe abatements on reinforcing bar production than the current 30 per cent.

Wire rod has not been included in the quota system for the past three months but is expected to come back in with an abatement rate close to 50 per cent.

Footwear employment likely to fall to 55,000

BY ANTHONY MORETON

THE NUMBER of people in the footwear industry continues to fall. By the end of February it had reached 55,600 according to the British Footwear Manufacturers Federation. Further redundancies have since been announced so that figure will soon be about 55,000.

David Scott, of Northampton, for instance, is to cease manufacturing in Northampton, laying off some 300.

Whitney and Westley, of Northamptonshire, is to close at the cost of 100 jobs. Scholl has announced that some of its subsidiaries in this country will cease making shoes. All these redundancies have still to work their way into the employment figures.

The federation has said that "it is difficult to see very much to enthuse about in the industry. We receive the odd report from Northampton or Norwich about companies doing relatively well but in an industry our size you can always find the exception."

One relatively encouraging trend, though, is that the number of people working short time appears to be declining. On average, 10,500 were on short time during the 12 months to the end of March, a drop of 23.4 per cent over the previous 12 months.

The numbers on overtime fell by 5.5 per cent over the 12 months to an average of 3,600.

Deliveries during the first quarter of this year continued at a more or less stable rate of about 128m pairs. New orders, however, showed signs of turning down, and margins "remain under considerable pressure."

Exports in January were 17 per cent down on a year earlier. The disappearance of the important Libyan market was a special factor.

INSURANCE

Underwriting system review at Lloyd's

BY JOHN MOORE, CITY CORRESPONDENT

A MAJOR review of the underwriting agency system is taking place at Lloyd's of London, the first ever thorough investigation of the Lloyd's agency system.

Critics argue that such a review is long overdue. Indeed, the review has only been prompted by the wishes of Parliament. Last year, Lloyd's was asked by a House of Commons committee, reviewing the Lloyd's Bill of Parliament for improving the insurance market's self-regulation, to amend the legislation to eradicate conflicts of interest which would undermine a self-regulatory structure.

In addition to asking Lloyd's to make compulsory the divestment of Lloyd's brokers' shareholding interests with underwriting managing agencies, the Commons committee asked Lloyd's to ensure that underwriting managing agencies (the groups which run underwriting syndicates) were precluded from acting as members' agents.

Lloyd's refused, secured a mandate from its membership to object to the proposal and asked Parliament to change its mind. The Commons committee agreed provided Lloyd's reviewed the agency system.

Members agents are a fairly new phenomenon at Lloyd's, having only developed since the war. These groups find underwriting members for Lloyd's, the wealthy individuals who pledge their capital to allow Lloyd's to function. The members agencies introduce underwriting members to underwriting syndicates at Lloyd's and arrange a portfolio of investment.

These underwriting syndicates are managed by underwriting managing agencies, who do not only hire and fire the active underwriter, who accepts business on behalf of the 16,000 sleeping membership, but also acts as members' agents in their own right.

Of 301 underwriting agents at Lloyd's, 163 act as both managing and members' agents. Out of the 163, some 101 have shareholding links with Lloyd's insurance brokers, it was disclosed in evidence to Parliament.

There are a wide range of reasons why the agency system needs review. Accounting standards within the agency system are lacking in uniformity.

Managing agents can confuse their obligations in carrying out their functions for their principals, which are the non-working members of Lloyd's, and their role as agents.

More serious problems were highlighted during evidence before Parliament. Agents often went beyond the Lloyd's system to recruit members. Accountants, stockbrokers and other financial advisers have been paid attractive commissions to introduce members to Lloyd's. Members of Lloyd's, sometimes unsuitable for the market, have been introduced without proper advice.

Parliament was worried about the degree of partiality which can exist where agents combine the dual role of both managing syndicates and introducing members to syndicates.

A serious instance of partiality has been highlighted in recent months by the practice of some merging agents. Few members of Lloyd's realise that if they are introduced to Lloyd's through a member agent, who acts only in that function, there might be no security of tenure on the underwriting syndicates to which they are introduced.

Any managing agents can give a members agent notice without reason to withdraw the members he has introduced to the managing agents' syndicates. Members agents are openly annoyed about the practice, which they argue has been used indiscriminately and without any sort of accountability.

Managing agents may ask members agents to withdraw the members they have introduced to the managing agents' syndicates for a variety of reasons. Business may not be growing at a sufficient rate to provide the members, which those managing agents have brought to Lloyd's and placed on their syndicates, with sufficient profits.

The review body, examining the agency system, chaired by Mr Alec Higgins, a former deputy chairman of Lloyd's, will be under pressure to publish its findings.

Commercial vehicle sales up on last year

BY JOHN GRIFFITHS

SALES OF commercial vehicles increased to 21,537 last month —21.2 per cent up on May 1981. The market this year to date, though still depressed, is running 10.1 per cent ahead of the same period last year.

Society of Motor Manufacturers and Traders statistics show the improvement to be concentrated in the light commercial sector.

Sales of trucks "proper"—those over 3.5 tons—fell in May to 3,514 from 3,562. For the year to date, however, there has been an increase of 1.9 per cent to 19,439.

The underlying picture for the over-3.5-ton group is probably slightly brighter than the May figure suggests. Deliveries of Ford's market-leading Cargo truck range — and other Ford vehicles—have been affected by a delivery company industrial dispute at the Langley, Berkshire plant where the Cargo is made.

There is still no sign of a recovery for Leyland Vehicles, which blames the month-long strike earlier this year for its continuing problems. May sales were 20 per cent down at 462 and for the five months 28 per cent down at 2,262.

Bedford's year-to-date over-3.5-ton sales are down 15 per cent, and those for the Dodge arm of Karrier Motors down about 5 per cent.

However, Karrier's Renault truck sales are up 65 per cent to 196. It is once again importers who are making most headway in the sector. The importers' five-month share is 29.7 per cent, against 21.2 per cent last year.

This contrasts with the purpose-built van sector, where restraints on Japanese shipments helped pull the importers' share down to 24 per cent in May (37 per cent last year) and 31.9 per cent for the five months (40 per cent).

Total sales of such vans in May rose 37 per cent to 11,607 from 8,432 and by 22 per cent to 47,811 from 39,109 for the five months.

May was another big month for the Ford Transit, which was subject to list price cuts and specification changes, in which the Popular Plus disappeared. Transit sales totalled 6,617—more than double last year's level. This is the second big sales push for Transit this year and is largely responsible for the sector's overall growth.

BL's medium van arm, Freight Rover, has benefited from its major productivity overhaul, with year-to-date sales up 21 per cent, albeit without increased market share. This may change with the launch later this month of a new Sherpa van range.

Sales of light vans derived from cars continued to improve. They were up 20 per cent in May to 5,495 (4,579) with the biggest improvement coming from BL's Austin Rover operation. Year-to-date sales for the sector are 4.3 per cent up at 28,069 (26,896).

The light four-wheel-drive sector remains badly depressed. May sales were down 24.47 per cent from 752 to 568 and five-month sales 10.48 per cent to 4,314 (4,872).

UK CAR REGISTRATIONS

	May 1982	%	May 1981	%	Five months to end of May 1982	%	Five months to end of May 1981	%
Total UK produced	53,156	43.76	65,571	48.46	284,490	42.32	322,255	46.58
Total imports†	68,312	56.24	69,736	51.54	387,774	57.68	369,595	53.42
Total market	121,468		135,307		672,264		691,850	
Ford*	30,085	24.77	38,379	28.36	204,301	30.39	209,621	30.30
BL*	26,874	22.12	30,476	22.52	120,342	17.90	142,710	20.63
General Motors—								
Vauxhall*	14,451	11.89	10,208	7.54	75,833	11.28	49,368	7.13
Opel	365		1,719		4,416		10,290	
Other GM	3		52		180		293	
Total GM	14,819	12.20	11,979	8.85	80,429	11.96	59,951	8.67
Peugeot Group—								
Talbot*	5,658	4.66	8,842	6.53	24,971	3.71	37,085	5.36
Citroen	2,039		2,007		11,029		12,265	
Peugeot	1,607		1,746		8,994		7,995	
Total Peugeot	9,304	7.66	12,595	9.31	44,994	6.69	57,345	8.29
VAG (VW-Audi)	7,345	6.05	7,444	5.50	39,061	5.81	35,026	5.06
Datsun	7,119	5.97	8,072	5.97	37,467	5.54	44,239	6.39
Renault	4,490	3.70	6,527	4.82	29,802	4.43	33,881	4.90
Volvo	3,670	3.02	3,286	2.43	22,572	3.36	18,354	2.65
Fiat Auto	3,193	2.63	3,635	2.69	22,554	3.35	24,475	3.58

* Includes cars from companies' Continental associates which are not included in the total UK figure.
† Includes imports from all sources including cars from Continental associates of UK companies.

Source: Society of Motor Manufacturers and Traders

Demand by hauliers expected to stay flat

BY JOHN GRIFFITHS

NO SIGNIFICANT upturn in UK demand for heavy commercial vehicles can be expected until 1983, according to a report on the performance of 100 companies in the industry.

The report, by ICC Business Ratios, says hauliers have responded to the slight upturn in industrial output, and to higher demand due to rail strikes, by bringing back into service vehicles laid up during the recession and cannibalising surplus vehicles to keep others in service.

At the same time, normal vehicle replacement cycles have been lengthened, as a result of reduced mileages covered by vehicle fleets during the recession.

A slight recovery is forecast this year, but the report concludes that vehicle and component makers, and importers, may wait another 12 months for substantial improvement.

The report also concludes that the bus and public service vehicle sector will decline sharply with the withdrawal of grants for new vehicles. Sales so far this year are only two-thirds of those in the same period of 1980.

The report says that half of all companies in the industry, including truck body-builders and trailer manufacturers will report losses for 1981-82.

But in spite of the poor overall performance, a number of companies have reported high profits. Body-builders—largely companies in the £2m-£20m turnover range had been least affected by the recession

They tended to be less highly geared than the industry overall. Consequently, interest payments amounted to an average 11 per cent of profits compared with 29 per cent for the total sample.

Overall, liquidity in the sector remained sound, notwithstanding temporary losses.

But with companies facing difficulties also in export markets because of the strength of sterling, the future was likely to be difficult in both the short and medium term.

"In the longer term, the sector's products are essential to the economy and there is no reason to believe that it will suffer permanent damage from the recession."

*Commercial vehicles — an industry sector analysis. ICC Business Ratios, 23 City Road, London EC1Y 1AA. £112.

Companies workshop

THE LONDON Chamber of Commerce and Industry is launching a Small Firms Group Workshop which will meet regularly to give advice and help to small companies.

UK NEWS

Builders fear ending of mortgage tax relief

Michael Cassell on the housing industry's growing alarm

THE HOUSE-BUILDING industry is becoming increasingly convinced that the Government is now prepared to see the phased withdrawl of mortgage tax relief.

The fear is that, despite strenuous denials to the contrary, Ministers have lost their commitment to retain tax relief on mortgage interest and that, by refusing to review the current £25,000 ceiling, they are condoning phased removal.

The house builders are alarmed at the prospect of the end of system which they say has played a vital role in the extension of home ownership. They believe the Government has accepted the arguments put forward by the Treasury and supported by other political parties and housing pressure groups. There are also fears that what tax relief remains could soon be limited to the standard rate.

Mr Roger Humber, director of the House-Builders Federation, says that industry no longer believes Ministerial commitments to keeping mortgage tax relief, despite Mrs Thatcher's previously firm stand on its retention and the most recent public assurances given by Sir Geoffrey Howe, Chancellor of the Exchequer, and other Treasury Ministers.

"There has been a highly orchestrated campaign on the part of those who want to see a lower priority given to owner-occupation, to the extent that the conventional wisdom on the subject of private-sector subsidies has quickly changed," he said.

"The Government makes strong statements in defence of the mortgage tax relief principle but consistently refuses to take any supportive action.

"The whole climate of opinion has changed and the Government has done nothing to defend the role of tax relief in supporting and stimulating the private housing market, which is supposedly intended to fill the gap left by the run-down of the public sector.

"We believe that large parts of the Conservative Party are completely unaware of this new situation and we feel it is time that Ministers were forced off the fence. We want the whole thing brought out into the open."

The house builders point out that the present £25,000 ceiling for relief, which has to be reviewed every year, has remained unchanged since 1974. The present Government has, despite its readiness to index all kinds of allowances in other areas, ignored every opportunity to raise the threshold, they say.

"We are clearly moving to a Treasury position in which the real value of the available relief is eroded away.

"To restore the 1974 position, the tax-relief ceiling would now have to be between £52,000 and £53,000, which would cost the Exchequer £75m-£100m in a full year.

"But we are not asking for a full restoration and merely want to see some action which upholds the principle of tax relief on home loans," Mr Humber says.

The house builders are not suggesting that, at present, the steady erosion in value of the existing relief levels is having an impact on the housing market. However, they point out that in high house price areas such as London the average mortgage on a new home is now nearly £23,000.

They claim that in parts of the South-East the tax relief position is preventing some people from getting on to the housing ladder.

The industry is extremely concerned about the longer-term implications of a phasing out of tax relief, which they would expect to be reduced to an irrelevance within 10 to 15 years. They claim its removal would represent a severe setback for the growth of home ownership.

The Labour Party is opposed to the retention of mortgage tax relief and the SDP also appears to be in favour of its eventual removal.

There are long-standing objections to extending tax benefits to the owner-occupier sector, which is already regarded as the most privileged tenure. The existence of such a subsidy, it is argued, helps fuel house-price inflation and over-consumption of housing in the private sector.

Opponents of tax relief believe that gradually allowing its value to wither would not distort prices in the housing market and would not create any difficulties for borrowers.

House prices down in ratio to earnings

BRITISH house prices are at their lowest level for 20 years in relation to average earnings, but will rise substantially in the next two years, an estate agency report suggested yesterday.

Mr Richard Field, marketing director at Savilles estate agency, said the present ratio of house prices to average earnings was so low that "a higher than usual number of people will be able to afford to buy a new house."

In 1956 the average house price was £2,230 and average annual earnings were £697, he said. This ratio has varied between three and four to one for the past 30 years.

By 1970 the ratio was three-and-a-quarter to one but it then dropped gradually to the end of 1981 when the average house at £24,000 cost just over three times average earnings of £7,800 a year.

"Assuming the historic pattern is maintained, the present ratio of just above three should be the bottom of the cycle and we can expect a rise to somewhere about the 3.5 level over the next two years," Mr Field said.

Women's relative earnings 'show little progress'

BY LISA WOOD

LITTLE PROGRESS has been made in the growth of women's earnings relative to those of men since 1977, Mr Christopher Johnson, group economic adviser to Lloyds Bank, said today.

Mr Johnson, writing in the bank's June economic bulletin, said that although the 1975 Equal Pay and Sex Discrimination Acts brought some improvement in the relative earnings and some reduction in job segretion in the two years after they were enacted, there had been little progress since.

Furthermore, the number of women in the workforce had stopped rising in 1977, he said. "This can be attributed to the slowdown of movement towards equal pay and to the rise in unemployment." Two-fifths of the UK workforce are women, about 40 per cent of whom are part-timers compared with 5 per cent of male employers.

Women's full-time hourly rates of pay averaged 73 per cent of men's. After allowing for shorter women's hours, their weekly rates were 65 per cent of men's.

One way of reducing unemployment, Mr Johnson said, would be to make it easier for men to take part-time work.

£34m boost urged to reverse decline in students from abroad

BY MICHAEL DIXON, EDUCATION CORRESPONDENT

A £15m RISE in public spending was urged by the Overseas Students' Trust yesterday to repair what it claims is damage to British economic and political interests caused by the Government's steep increases in tuition fees for most students from abroad.

The trust—a charity formed in 1961 by a group of big British companies—also wants £19m a year diverted from present overseas aid and export promotion schemes to pay for scholarships for foreign students.

The combined sum of £34m would pay for an estimated increase of 15,600 in the number of overseas people studying here, largely in degree-level and post-graduate programmes in universities, polytechnics and colleges.

Foreign attendance at these publicly funded institutions has fallen 16 per cent to 60,900 since the fees were raised sharply in 1980. But the £170m saving in public expenditure has been at the expense of losses to British prospects of exports and diplomatic influence, the trust said in a report called A Policy for Overseas Students.

While producing no firm evidence of such losses, the report said that people dealing directly with the country's overseas customers and contacts mostly agreed that the sudden and almost peremptory fee increase had injured commercial and political goodwill.

Britain had also suffered educationally by the decline in numbers of academically able foreigners engaged in research here and adding an international dimension to the higher education of home students.

The country now needed to lessen the damage by funding scholarships to attract "present and future research workers and scholars, political and economic policy-makers, commercial and industrial managers, development administrators, and specialists."

The awards would be directed to suitable people in nations commercially and diplomatically important to Britain, and in countries to which we had obligations because they were dependent, had strong Commonwealth connections, or were economically backward.

"The argument is not that we should return to a high general subsidy and very large numbers but that the new policy of economic fees should be accompanied by a change in the use of a tiny fraction of the £2.3bn of Government money which we use annually for the furtherance of our objectives in trade, aid and diplomacy," the report said.

Scholarships to encourage research would be funded through the Department of Education and Science, those connected with trade and commerce through the Department of Trade, those with a diplomatic and cultural emphasis through the Foreign and Commonwealth Office, and those directed to poor countries through the FCO's Overseas Development Administration.

The awards needed to be accompanied by two other equally important measures, the trust said.

The Government should adopt a positive policy of welcoming overseas students to this country and define clearly how their position differed in terms of the right to reside and work here, from the position of people entering for other purposes.

Ministers should also withdraw, after a two-year interval for adjustment, the minimum fees for foreign students now imposed on educational institutions, leaving them free to charge whatever sum would cover the true cost of increasing enrolments on any particular course and make an appropriate contribution to overheads.

The National Union of Students said the trust's proposal to allow colleges to charge their own fee levels for overseas students would "lead to a mentality in which colleges would be constantly undercutting each other and providing courses with no educational content at all."

"These proposals are precisely what we would expect from a business funded body and would do nothing to aid Third World development which was the original purpose of overseas stuent subsidies."

Lombard, Page 19

APPOINTMENTS

Chairman at MAIBL

Sir Donald Barron, chairman of Midland Bank, has succeeded Sir David Barran as chairman of MIDLAND AND INTERNATIONAL BANKS (MAIBL). MAIBL is owned by Midland Bank, The Toronto-Dominion Bank Group, Standarded Chartered Bank and The Commercial Bank of Australia.

★

Mr J. C. Whitaker, Prince Geoffrey L. A. Galitzine, Mr M. J. Bennett and Mr J. J. C. Morris have joined the partnership of FIELDING, NEWSON-SMITH AND CO., stockbrokers.

★

Mr Barrie Brighouse will become chief executive of MALLINSON-DENNY, a Brooke Bond subsidiary, on July 1. He succeeds Mr R. T. S. Macpherson who will continue as chairman. For four years from 1975 Mr Brighouse was managing director of Brooke Bond Oxo in the UK—of which he remains chairman—before being appointed to the group board in 1979.

★

Mr John Milln will be retiring as senior partner of E. B. SAVORY, MILLN AND COMPANY, stockbrokers, on September 17 and will be succeeded by Mr Simon Aldridge. Mr Giles Currie will become second partner. Mr Milln will remain a partner until the end of June 1983 and then become an associate.

★

ALBANY LIFE ASSURANCE has made the following appointments: Mr Harold Hodes, joint marketing director and head of agency division (direct sales), will be responsible for identifying potential UK and European acquisitions for Albany Life.

Mr Ivor Hockman, joint marketing director and head of broker division, has become sole marketing director of Albany Life in charge of both agency and broker divisions.

★

Mr Ronald Morgan, managing director of Ian Williams and Company, has been elected president of the NATIONAL FEDERATION OF PAINTING AND DECORATING CONTRACTORS for 1982-83. The new senior vice-president is Mr John Ferris, and the junior vice-president is Mr John Milne.

★

Mr L. W. Cole and Mr D. Forrester, both non-executive directors, have retired from the board of BABCOCK INTERNATIONAL. Mr Cole has also retired from the boards of Babcock-Bristol and Diamond Power Specialty.

★

Mr Ron Hammerton has been appointed managing director of DAVY BAMAG. Mr Hammerton, operations director, takes over from Mr Rolf Clayton, who is joining the Water Research Last year one of its divi- Centre's process engineering laboratory as assistant director.

★

Dr Bruce F. Rimmer has been appointed manager of the INCO EUROPE precious metal refinery in London. He succeeds Mr S. T. Payne who retired at the end of May.

★

Mr Stefan Wasilewski has been appointed a director of BRYANSTON INSURANCE.

★

Mr Frederick (Jimmy) Herbert, head of industrial relations at the GREATER LONDON COUNCIL, has been appointed the Council's controller of manpower. Mr Herbert has been acting controller since the retirement in January of Mr Bertie Wallace.

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	"Times" and "Sunday Times" Business to Business Exhibition (01-729 0677) (until June 9)	Earls Court
June 7-11	Tunnelling '82 International Exhibition and Symposium (01-946 3471)	Brighton
June 10-12	South of England Show (0444 892245)	Ardingly
June 13-17	Self-Service Display Equipment and Shopfitting Exhibition—SHOPEX (01-540 1101)	Olympia
June 14-18	Business Efficiency Exhibition (01-405 6233)	Earls Court
June 16-17	EIA Engineering Exhibition (0403 69390)	Brighton Racecourse
June 21-24	Royal Highland Show (031-333 2444)	Ingliston Showground, Edbgh.
June 21-27	International Food, Wine and Kitchen Exhibition (06284 2442)	Bingley Hall, Birmingham
June 23-26	International Fisheries, Processing and Marine Equipment Exhibition—CATCH (0378 77966)	Aberdeen
June 28-July 1	International Floorcovering Exhibition—INFEX (02432 5537)	Olympia
June 30-July 1	Temperature Measurement and Control Exhibition and Conference—TEMPCON (0822 4671)	Wembley Conference Centre
July 2-4	South of England Exhibition of Homes, Food, Trades and Leisure (0273 68738)	Brighton Centre
July 6-8	Integrated Energy Exhibition (0272 572 624)	Bristol Exhibition Centre
July 8-11	North London Home Improvement Exhibition (01-328 8581)	Alexandra Palace

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	International Fair for Printing and Paper Fair—DRUPA (01-409 0956) (until June 17)	Dusseldorf
Current	International Electrical Exhibition and Congress—INTELECT (01-222 0466) (until June 9)	Cairo
June 7-12	Posidonia International Shipping Exhibition (Athens 32.31.973)	Piraeus
June 10-15	International Agricultural Animal Husbandry and Horticultural Exhibition and Conference—ELMIA-LANTBRUK (0732 850457)	Jonkoping
June 13-18	International Medical Laboratory Exhibition (01-486 8730)	Amsterdam
June 15-19	International Dairy Equipment Exhibition (01-439 3964)	Paris
June 16-20	International Collectors Fair—ISA (01-236 0911)	Stuttgart
June 21-30	International Exhibition of Instruments and Equipment for Cardiovascular Treatment and Cardiosurgury—CARDIOLOGY 82 (01-235 2423)	Moscow
June 22-26	International Port Technology Exhibition — PORTECH (08833 6155)	Singapore
June 28-30	Videotex Exhibition (09274 28211)	New York
June 29-July 1	Temperature and Transducer Conference and Exhibition — SENSORS AND SYSTEMS (02802 5226)	Houston
July 1-3	Electrical Engineering Fair—ELTEC (01-486 1951)	Munich
July 7-11	International Audio Visual Exhibition—AUVI (021-705 6707)	Singapore
July 31-Aug 3	Hamburg Trade Days (0202 732648)	Hamburg

BUSINESS AND MANAGEMENT CONFERENCES

Date	Title	Venue
June 8	Oyez/IBC: The Petroleum Futures Market . . . one year on (01-242 2481)	Royal Garden Hotel, W8
June 9	Energy Business Centre: Offshore Projects—Norway (01-439 9021)	Cafe Royal, W1
June 9	Weisweiller Adfos: Liffe begins in September (01-229 8244)	London
June 9-10	FT Conference: World Electronics—the U.S., Japan and dEurope: Competition or Collaboration? (01-621 1355)	Inter. Continental Hotel, W1
June 9-11	ESOMAR: Classifying consumers—a need to rethink (Amsterdam 020 44.49.95)	Brugge
June 10	Kenyan International: European Employment Law—its impact on company practice (0799 24125)	Hilton Hotel, W1
June 11	ESC: The Stock Exchange Listing Requirements—the Yellow Book (057282 2711)	Bowater Conf. Centre, SW1
June 12	The Textile Institute: Narrow Fabrics (061-834 8457)	Derby
June 14	Industrial Relations Services (Training): Self-Certification, sick pay and sickness benefit (01-328 4751)	Cafe Royal, W1
June 14-15	The Economist: Hong Kong—prospect and opportunities (01-839 7000)	Frankfurt
June 15	FT Conference: The Future of Bank Reporting (01-741 4771)	Grosvenor House Hotel, W1
June 15	Cyril Aydon Associates: Corporation Tax (Banbury 720124)	Ryl. Horseguards Hotel, SW1
June 17-18	Practising Law Institute: Bank Acquisitions and Takeovers (New York 212 765 5700)	Dallas

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

FT Monthly Survey of Business Opinion

GENERAL OUTLOOK

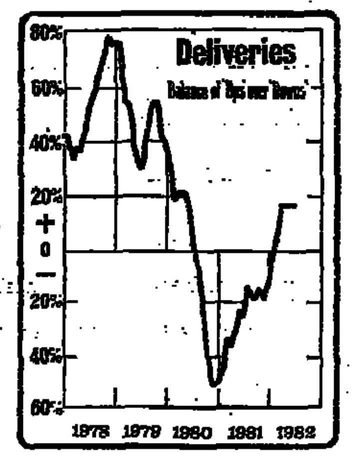
Business optimism improves

GENERAL optimism of businesses continued to improve last month with a clear majority of those surveyed during the past four months now more optimistic than they were in January.

The index showing the balance of optimism over pessimism wavered in April but in May it decisively resumed the upward trend which started last autumn.

The three sectors surveyed last month were electrical engineering, the motor and consumer durables sector and the stores and consumer service companies sector. Of these, electrical engineering and the stores group were more optimistic about the general situation than they had been last January. In the electrical group 81 per cent of respondents were more optimistic than they had been when last surveyed, but in the durables group only a quarter were more optimistic, with two-thirds showing about the same degree of optimism.

The FT monthly business opinion survey is to be discontinued after this month, which is the last in the series to be published.



GENERAL BUSINESS SITUATION

Are you more or less optimistic about your company's prospects than you were four months ago?	Feb.-May %	Jan.-Apr. %	Dec.-Mar. %	Nov.-Feb. %	Elect. Eng'g. %	Motor & C'sumer Durables %	Stores & C'sumer Services %
	4 monthly moving total				May 1982		
More optimistic	55	49	50	46	81	26	54
Neutral	31	31	30	32	19	63	46
Less optimistic	13	20	20	22	0	11	0

EXPORT PROSPECTS (Weighted by exports)

Over the next 12 months exports will be	Feb.-May %	Jan.-Apr. %	Dec.-Mar. %	Nov.-Feb. %	Elect. Eng'g. %	Motor & C'sumer Durables %	Stores & C'sumer Services %
	4 monthly moving total				May 1982		
Higher	66	81	83	77	75	0	69
Same	24	14	8	11	25	70	31
Lower	9	5	8	12	0	30	0
No answer	1	1	1	0	0	0	0

ORDERS AND OUTPUT

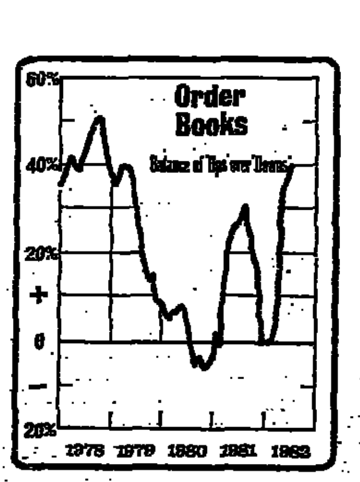
Exports look less buoyant

THE IMPROVING trend of recent orders, which had been evident from the end of last year, was not sustained last month. Both the durables and the consumer groups said that that their order levels were reduced or that they expected the level of their sales over the next four months to fall.

Against this the electrical engineering group was more inclined to say that it expected order books to increase over the next four months than it had been previously. As a result the index representing the balance of optimism about future order books continued to rise.

There has been a deterioration in companies' perception of export prospects, with the durable group markedly less optimistic on this score. In the electrical engineering group there was increased attention to exports, although overseas demand, particularly in Europe, was not seen to be very buoyant. There appears to be little change in the level of capacity working, while there is a slight deterioration in the balance of those interviewed in the past four months who expected an increase in the volume of production.

There was also a tendency for firms to believe that the proportion of their output to come from overseas plants would increase.



NEW ORDERS

The trend of new orders in the last four months was?	Feb.-May %	Jan.-Apr. %	Dec.-Mar. %	Nov.-Feb. %	Elect. Eng'g. %	Motor & C'sumer Durables %	Stores & C'sumer Services %
	4 monthly moving total				May 1982		
Up	34	41	38	33	58	26	28
Same	32	29	30	30	42	48	14
Down	17	15	18	17	0	26	7
No answer	17	14	14	20	0	0	50

PRODUCTION/SALES TURNOVER

Those expecting production/sales turnover in the next 12 months:	Feb.-May %	Jan.-Apr. %	Dec.-Mar. %	Nov.-Feb. %	Elect. Eng'g. %	Motor & C'sumer Durables %	Stores & C'sumer Services %
	4 monthly moving total				May 1982		
Rise over 20%	3	4	3	3	0	0	0
Rise 15-19%	3	1	1	3	0	26	10
Rise 10-14%	15	13	10	7	19	0	37
Rise 5-9%	23	25	22	21	37	0	21
Rise 2.5-4%	22	25	25	23	19	22	0
Remain the same	21	20	31	37	25	52	14
Fall 2.5-4%	5	5	6	5	0	0	0
Fall 5-9%	6	4	0	2	0	0	18
Fall 15% or more	1	1	1	0	0	0	0
No answer	1	1	0	0	0	0	0
Median	4.4	4.5	3.7	3.2	5.4	2.4	7.1

CAPACITY AND STOCKS

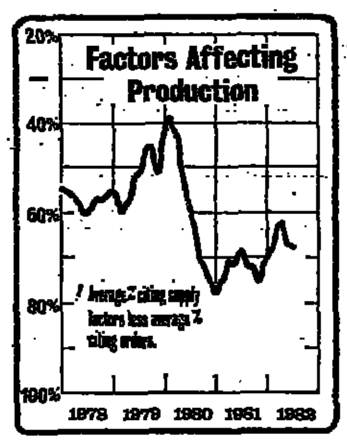
No evidence of restocking

THE APRIL survey showed little evidence that firms expect a rebuilding of stocks to begin in the near future. All three sectors interviewed were less inclined to expect stocks of all kinds to increase than they had been in January, although the electrical engineering sector showed the same pattern of responses in respect of the amount of work in progress as it had done four months ago. The index of expectations about stocks has reverted to a position in which it shows that more firms expect a decrease in stocks of manufactured goods than expect an increase. However, for raw materials and components, the number expecting an increase balances the number expecting a fall.

This somewhat depressed picture is reflected in replies to questions about the amount of assets lying idle and about capacity working.

The index of capacity working has dropped back slightly, mainly because of an increased tendency of the durables group to say that it was working below capacity.

The durables group and the electrical engineering group also showed increased tendencies to say that they had fixed assets not being used, compared with their replies in January. However, not all the idle assets were in the UK. The most frequently mentioned idle assets were buildings and factories not being used by companies.



STOCKS

Raw materials and components over the next 12 months will:	Feb.-May %	Jan.-Apr. %	Dec.-Mar. %	Nov.-Feb. %	Elect. Eng'g. %	Motor & C'sumer Durables %	Stores & C'sumer Services %
	4 monthly moving total				May 1982		
Increase	22	27	25	26	23	0	28
Remain the same	55	52	52	53	56	63	42
Decrease	22	20	22	19	19	37	21
No answer	2	1	2	2	2	0	9

FACTORS CURRENTLY AFFECTING PRODUCTION

Are any of the following factors limiting your output at present?	Feb.-May %	Jan.-Apr. %	Dec.-Mar. %	Nov.-Feb. %	Elect. Eng'g. %	Motor & C'sumer Durables %	Stores & C'sumer Services %
	4 monthly moving total				May 1982		
Home orders/consumer demand	88	88	87	86	70	100	86
Export orders/consumer demand	58	54	49	50	57	100	46
Executive staff	2	1	1	2	0	0	14
Skilled factory staff	4	4	6	3	0	26	0
Component supplies	1	2	2	2	9	0	0
Raw material supplies/made up goods	4	4	4	0	0	0	0
Production capacity (plant) selling space	5	6	6	7	0	0	3
Finance facilities	0	0	1	1	0	0	0
Labour disputes in own/supplier organs.	7	5	6	4	0	0	14
Any other factors	22	16	21	21	19	26	56
No factors at all	3	5	4	8	21	11	0

INVESTMENT AND LABOUR

Depressed level remains

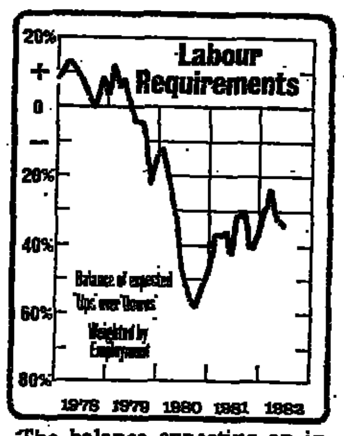
THE INDEX for labour requirements remains at a very depressed level with a balance of about a third of respondents interviewed in the past four months believing they would need to shed rather than take on workers.

Although this balance is considerably less bad than it was at the worst of the recession in mid-1980 (when a balance of two-thirds of companies expected to shed labour) the recent trend does not show much evidence of brighter prospects in the labour market. The balance of those expecting a fall in requirements has deteriorated from about a quarter at the turn of the year, after showing some improvement in the second half of 1981.

The balance expecting an increase in capital spending has increased quite sharply, on the other hand, after a fall in the April survey. On the index weighted by capital expenditure, a balance of more than a quarter of those in the survey are not expecting an increase next year compared with those expecting a decline.

This index has risen sharply from last autumn, when a small balance was still expecting a decline in capital expenditure on the weighted index, although on the unweighted index the balance expecting an increase has been evident since last summer.

This month all three sectors were more inclined to say that their capital expenditure in the next 12 months would rise and only a very small minority said it would fall.



LABOUR REQUIREMENTS (weighted by employment)

Those expecting their labour force over the next 12 months to:	Feb.-May %	Jan.-Apr. %	Dec.-Mar. %	Nov.-Feb. %	Elect. Eng'g. %	Motor & C'sumer Durables %	Stores & C'sumer Services %
	4 monthly moving total				May 1982		
Increase	14	16	17	13	1	0	25
Stay about the same	39	36	42	45	34	70	33
Decrease	47	48	41	42	65	30	42

CAPITAL INVESTMENT

Those expecting capital expenditure over the next 12 months to:	Feb.-May %	Jan.-Apr. %	Dec.-Mar. %	Nov.-Feb. %	Elect. Eng'g. %	Motor & C'sumer Durables %	Stores & C'sumer Services %
	4 monthly moving total				May 1982		
Increase in volume	38	41	41	34	43	12	31
Increase in value but not in volume	12	7	9	11	34	39	16
Stay about the same	27	22	20	23	22	41	50
Decrease	23	30	29	31	1	9	3
No answer	0	0	1	2	0	0	0

COSTS AND PROFIT MARGINS

Profit increases foreseen

THE QUITE marked improvement in the balance of respondents which expects an improvement in profits next year, which was evident in April, continued in the May survey.

This increased optimism about profits and earnings per share was evident in all three sectors: Firms are expecting the reduction in labour forces, improvements in efficiency and elimination of loss makers to begin to show in profit and loss accounts. There is also some hope that customers will accept price increases, although the index for the expected price increase during the next 12 months shows little change since January.

Companies continued to believe on balance that stocks are too high. This perception strengthened a little in April and may have influenced expectations about profits.

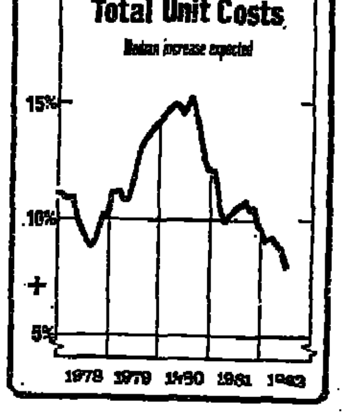
Probably the main factor, however, is the continuing downward trend in the average expectation for the increase in costs per unit of output during the next 12 months. This has now fallen to about 8½ per cent compared with expected wage rises of about 8 per cent in the same period.

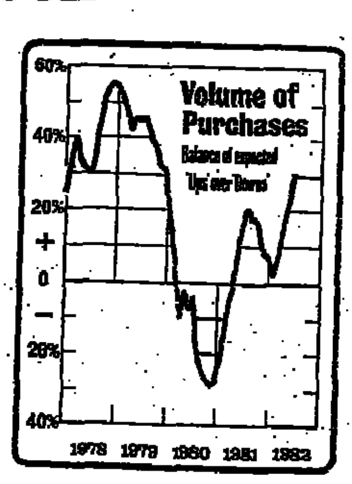
These surveys, which are carried out for the Financial Times by the Taylor Nelson Group, are based on interviews with senior executives.

Three sectors and some 30 companies are covered in turn every month. They are drawn from a sample based on the FT Actuaries Index, which accounts for about 60 per cent of all public companies.

The all-industry figures are four-month moving totals covering some 120 companies in the 11 industrial sectors (mechanical engineering is surveyed every second month).

Complete tables can be purchased from Taylor Nelson and Associates.





COSTS

Wages rise by:	Feb.-May %	Jan.-Apr. %	Dec.-Mar. %	Nov.-Feb. %	Elect. Eng'g. %	Motor & C'sumer Durables %	Stores & C'sumer Services %
	4 monthly moving total				May 1982		
0-4%	4	3	2	2	19	0	0
5-9%	77	81	86	80	77	89	57
10-14%	18	15	12	16	0	0	43
Remain the same	0	0	0	0	0	11	0
No answer	1	1	1	2	4	0	0
Median	8.0	7.9	7.8	7.9	6.9	7.2	9.4

Unit costs rise by:	Feb.-May %	Jan.-Apr. %	Dec.-Mar. %	Nov.-Feb. %	Elect. Eng'g. %	Motor & C'sumer Durables %	Stores & C'sumer Services %
	4 monthly moving total				May 1982		
0-4%	11	8	6	2	4	26	14
5-9%	46	38	39	40	96	74	64
10-14%	26	30	35	36	0	0	0
Remain the same	1	2	2	3	0	0	3
Decrease	1	2	2	2	0	0	0
No answer	15	19	16	17	0	0	19
Median	8.2	8.8	9.1	9.3	7.4	6.6	7.1

PROFIT MARGINS

Those expecting profit margins over the next 12 months to:	Feb.-May %	Jan.-Apr. %	Dec.-Mar. %	Nov.-Feb. %	Elect. Eng'g. %	Motor & C'sumer Durables %	Stores & C'sumer Services %
	4 monthly moving total				May 1982		
Improve	66	60	47	46	77	100	32
Remain the same	25	28	38	42	23	0	51
Contract	7	10	14	12	0	0	14
No answer	2	2	2	0	0	0	3

UK NEWS – LABOUR

Health unions raise pressure over pay

BY BRIAN GROOM AND JOHN LLOYD

HEALTH SERVICE unions will this week attempt to exploit the tactical setback to the Government caused by the Royal College of Nursing's rejection of a 6.4 per cent pay rise by intensifying pressure for their 4 to 6.4 per cent offers to be increased.

Tomorrow's 24-hour national strike—the third in the six-week-old dispute—is expected to be the most widely supported so far, with sympathy stoppages and picketing by Yorkshire miners and other workers outside the NHS.

The TUC's health service committee, which meets on Wednesday, may well decide to step up its campaign of industrial action, even if it rejects a plea by the National Union of Public Employees for an all-out strike.

The options for Mr Norman Fowler, Social Services Secretary, have been narrowed by the RCN's 2—1 ballot rejection of the 6.4 per cent offer. Acceptance could have driven a wedge between nurses and other workers.

Mr Fowler is believed to be unwilling to put the dispute to arbitration. This leaves two options: improving some or all of the offers; or riding out the industrial action.

Mr Fowler is unlikely to alter his position before a meeting with RCN leaders, which may be held this week. The RCN hoped that the meeting could take place today and that tomorrow's scheduled meeting of the Nurses' and Midwives' Whitley Council could turn into a negotiating session. No plans had been made by last night.

Labour MP steps in on British Rail dispute

BY BRIAN GROOM, LABOUR STAFF

MR ALBERT BOOTH, the Labour Party's transport spokesman, last night was reported to be trying to arrange a meeting with unions today to discuss British Rail's impending industrial relations crisis.

The meeting could involve the three rail unions, the Confederation of Shipbuilding and Engineering Unions, Mr Len Murray, TUC general secretary, and BR.

British Rail said last night it could make Mr Cliff Rose, board member for industrial relations, or Sir Peter Parker, chairman, available if talks could be arranged at such short notice, but it had not yet been invited.

BR hopes to have avoided the threat of industrial action by the National Union of Railwaymen by deferring the closure of two engineering workshops and the rundown of a third. The NUR executive will discuss it either today or after a meeting between British Rail Engineering and its unions tomorrow.

Potential disputes are brewing with Aslef, the drivers' union, over flexible rostering, and with all three rail unions over BR's offer of 5 per cent pay rises from September, linked to productivity measures.

Unrest in SDP on Tebbit Bill equivocation

THE Social Democratic Party's parliamentary leadership has been criticised by supporters in the trade unions for not taking a hard enough line against Mr Norman Tebbit's Employment Bill.

The criticism was voiced by some members on Saturday at a conference attended by more than 150, which agreed to form an Association of SDP Trade Unionists.

There was a broad feeling that the SDP should not be seen as a "union-bashing" party, but support was expressed for many of the party's draft proposals on industrial democracy and union reform.

A majority of the party voted for Mr Tebbit's Bill on its Second Reading, and all but one abstained on the Third.

Confrontation is likely, say Civil Service unions

THE GOVERNMENT'S Employment Bill is a "recipe for confrontation," Civil Service unions claim today in a leaflet which is being distributed to members of the nine constituents of the Council of Civil Service Unions.

The CCSU leaflet, part of the TUC's campaign against the Bill, argues that the Bill will not improve industrial relations, and says: "the Bill contains no positive proposals at all for promoting industrial harmony, increasing production or reducing unemployment."

It analyses the clauses of the Bill which are most likely to affect civil and public service trade unionists.

Nalgo shift to right

BY PHILIP BASSETT, LABOUR CORRESPONDENT

LEADERSHIP of the National and Local Government Officers' Association has swung a little further to the right, following recent elections to the union's governing national executive committee which say the failure of many supporters of the recent campaign in the union for affiliation to the Labour Party.

The Nalgo executive, though seen to be to the left of most of the union's 800,000 members, is generally judged in trade union circles to be moderate. Nalgo officials believe recent elections to the executive have increased this tendency.

Ten new executive members were elected. Four sitting members were deposed. The poll, at about 33 per cent, was relatively low, particularly for Nalgo, which has previously had a high response in its ballots.

The political complexion of this year's executive elections in the union was emphasised not just by the recent unsuccessful ballot on Labour Party affiliation, but also by the circulation of lists of preferred candidates, allegedly by the Conservative Trade Unionists' association.

Following the rejection of Labour affiliation in a membership ballot by 382,577 votes to 49,925, the executive results are an especial blow to the 22 members of last year's Nalgo executive who formed the Fight for Labour Affiliation Group.

Of the 22 signatories to the original launch of the Flag campaign, four have lost their seats.

BASE LENDING RATES

A.B.N. Bank	13 %
Allied Irish Bank	13 %
American Express Bk.	13 %
Amro Bank	13 %
Henry Ansbacher	13 %
Arbuthnot Latham	13 %
Associates Cap. Corp.	13 %
Banco de Bilbao	13 %
BCCI	13 %
Bank Hapoalim BM	13 %
Bank of Ireland	13 %
Bank Leumi (UK) plc	13 %
Bank of Cyprus	13 %
Bank Street Sec. Ltd.	14 %
Bank of N.S.W.	13 %
Banque Belge Ltd.	13 %
Banque du Rhone et de la Tamise S.A.	13½%
Barclays Bank	13 %
Beneficial Trust Ltd.	14 %
Bremar Holdings Ltd.	14 %
Brit. Bank of Mid. East	13 %
■ Brown Shipley	13 %
Canada Perm't Trust	13½%
Castle Court Trust Ltd.	13½%
Cavendish G'ty T'st Ltd.	14 %
Cayzer Ltd.	13 %
Cedar Holdings	13 %
■ Charterhouse Japhet	13 %
Choulartons	13 %
Citibank Savings	‖12½%
Clydesdale Bank	13 %
C. E. Coates	14 %
Comm Bk of Near East	13 %
Consolidated Credits	13 %
Co-operative Bank	*13 %
Corinthian Secs.	13 %
The Cyprus Popular Bk.	13 %
Duncan Lawrie	13 %
Eagil Trust	13 %
E.T. Trust	13 %
Exeter Trust Ltd.	14 %
First Nat. Fin. Corp.	15½%
First Nat. Secs. Ltd.	15½%
Robert Fraser	14 %
Grindlays Bank	‡13 %
■ Guinness Mahon	13 %
■ Hambros Bank	13 %
Heritage & Gen. Trust	13 %
■ Hill Samuel	§13 %
C. Hoare & Co.	†13 %
Hongkong & Shanghai	13 %
Kingsnorth Trust Ltd.	14 %
Knowsley & Co. Ltd.	13½%
Lloyds Bank	13 %
Mallinhall Limited	13 %
Edward Manson & Co.	14 %
Midland Bank	13 %
■ Samuel Montagu	13 %
■ Morgan Grenfell	13 %
National Westminster	13 %
Norwich General Trust	13 %
P. S. Refson & Co.	13 %
Roxburghe Guarantee	13½%
E. S. Schwab	13 %
Slavenburg's Bank	13 %
Standard Chartered	‖13 %
Trade Dev. Bank	13 %
Trustee Savings Bank	13 %
TSB Ltd.	13 %
United Bank of Kuwait	13 %
Whiteaway Laidlaw	13½%
Williams & Glyn's	13 %
Wintrust Secs. Ltd.	13 %
Yorkshire Bank	13 %

■ Members of the Accepting Houses Committee.

* 7-day deposits 10%, 1-month 10.25%. Short term £8,000/12 month 12.6%.

† 7-day deposits on sums of: under £10,000 10¼%, £10,000 up to £50,000 11%, £50,000 and over 11½%.

‡ Call deposits £1,000 and over 10%.

‖ 21-day deposits over £1,000 11¼%.

§ Demand deposits 10¼%.

¶ Mortgage base rate.

FINANCIAL TIMES SURVEY

Monday June 7, 1982

Satellite Communications

The satellite communications industry is not only one of the most rapidly developing of all industries, but also one of the most intensely competitive. Its business value over the next 20 years is likely to amount to well over $30bn.

CONTENTS

Vast potential for broadcasting

By MICHAEL DONNE, Aerospace Correspondent

ALTHOUGH the satellite communications industry is still less than 20 years old, it has evolved dramatically and promises even more far-reaching developments in the remaining years of this century.

Much research work was done in the U.S. through the 1950s, resulting in the launching in 1963 of Syncom, the world's first "synchronous" or "geo-stationary" satellite (that is, having its orbital speed so geared to the earth's own rotational speed that it remained virtually in one spot over the earth's surface).

But the world's first commercial communications satellite was the tiny Early Bird (or Intelsat 1), 28 inches in diameter and 23 inches high, launched in 1965. It had capacity for only 240 two-way voice channels, or one TV channel.

By comparison, the latest massive Intelsat VI satellites now under development will have capacity for 33,000 two-way telephone conversations simultaneously and four TV channels, while each satellite will be 39 feet tall and 12 feet in diameter.

Thus, during its brief history, the communications satellite industry has seen remarkable growth, not only in the numbers, size and scope of individual satellites, but also in the range of uses to which they have been, or are being, put.

Although the biggest single function remains telecommunications and TV transmissions over long distances, the roles are widening all the time.

Communications satellites are already being used to improve links between ships and the shore, and between aircraft and the ground and with other aircraft in flight.

They are being used extensively also for the facsimile transmission of data and there is now a growing use for them in video or tele-conferencing, with specialist commercially-owned and operated systems coming into use in the U.S. in addition to the facilities owned internationally.

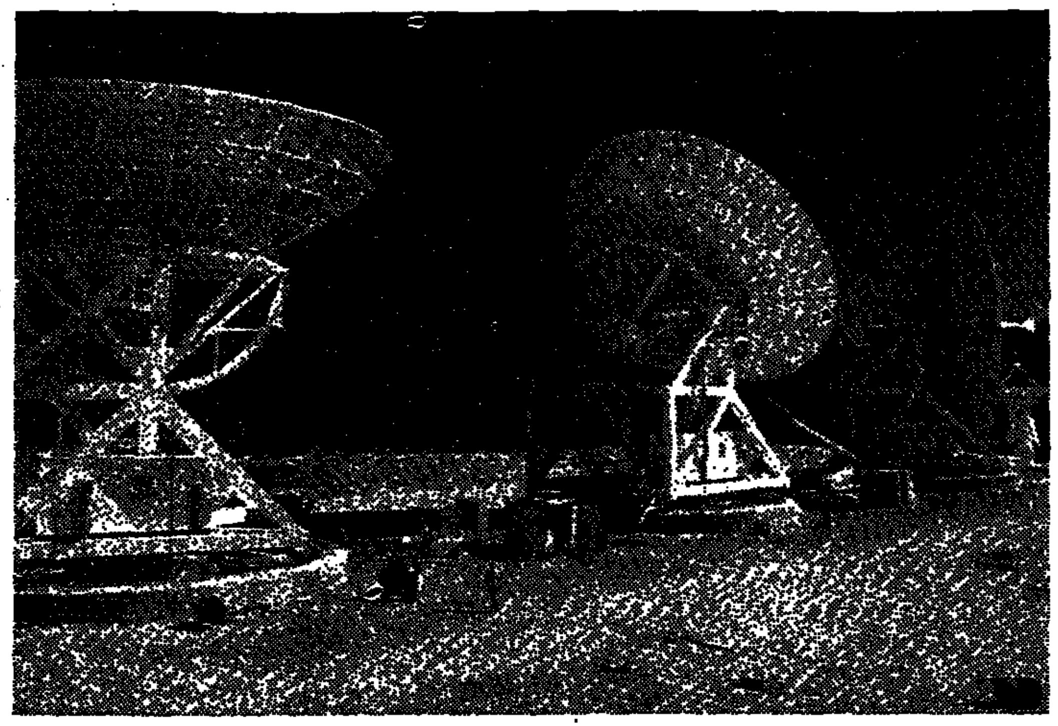
Ahead lies the vast potential of broadcasting TV and radio programmes directly into homes by satellite.

Over the past 20 years, it is estimated that around 100 communications satellites of various kinds have been launched. Many are now defunct, their lives exhausted, although some are still capable of use, while others have been superseded by other, larger and more efficient space craft.

Requirements

Between now and the end of this century, it is estimated that the world will need between another 150 and 200 such satellites. When it is borne in mind that such craft can cost up to $100m each (and in many cases much more), it can be seen that the world market is likely to be between $10bn and $15bn for space craft alone.

If the value of the "ground segment"—that is, all the additional earth stations and transmitting and receiving equipment that will be needed—is also taken into account, the value of the entire communications satellite business over the next 20 years is likely to amount to well over $30bn.



This huge earth station in White Sands, New Mexico, built by Harris Corp. for Western Union, uses about half its capacity to communicate with the Space Shuttle and other low-orbiting satellites, under a NASA contract

It is not surprising therefore that it is not only one of the most rapidly developing of all industries but also one of the most intensely competitive. While many of the space craft are funded by governments or other authorities, the market for satellites from the commercial business sector itself is widening. This is likely to develop further as educational and broadcasting bodies climb into the field th ough direct satellite broadcast ng.

The business ıas already spawned a vast ran.e of organisations, devoted in one way or another to the design, research, development, manufacture and operation of communications satellites for the ever-growing list of uses.

On the research, development and launching side of the business, the giant U.S. National Aeronautics and Space Administration is responsible for a wide range of satellite launching activities. Its latest venture is the manned re-usable Space Shuttle transport system, designed, among other things, to provide a new system for launching satellites through the 1980s and beyond.

In Western Europe, the European Space Agency is also developing various communications satellite systems. It has already developed through the 1970s the big Ariane rocket, the rival satellite launcher to the Americans' conventional rocket launching systems and now also to the Shuttle itself.

Specialist bodies have been set up to develop, launch and operate communications satellites. The International Telecommunications Satellite Organisation (Intelsat) is responsible for the global TV and telephone satellite system. Another body, the International Maritime Satellite Organisation (Inmarsat), is responsible for the more recently-developed ship-to-shore satellite communications system.

The Intelsat organisation now has more than 100 member-countries, and is served by over 250 earth stations in 135 countries. It is presently launching its latest series of 9 Intelsat V satellites, to be followed by three higher-capacity Intelsat VAs.

Each Intelsat V has capacity for 12,000 simultaneous telephone calls plus two colour TV channels. This is about double the capacity of the Intelsat IVAs, their predecessor.

Four of the new Intelsat Vs will also have maritime communications capacity for use by the growing Inmarsat organisation. The bigger Intelsat VAs will each have capacity for about 15,000 circuits, and will be launched in 1984-86.

Beyond that, Intelsat is planning the giant Series VI satellites, each with a massive 33,000 circuits capability. These will carry the burden of the world's growing demand for telecommunications—which is doubling every three years—well into the 1990s.

The Inmarsat organisation, set up in mid-1979, is responsible for defining, procuring and managing the world-wide maritime communications satellite system, which will make use not only of the Marecs European satellites, but also the U.S. Marisat system and those Intelsat Vs with maritime payloads.

The biggest private commercial company on the operational side of the communications satellite business is the U.S. Communications Satellite Corporation, the U.S. Government's nominated representative on both the Intelsat and Inmarsat organisations, with a 23 per cent investment in each. It is deeply involved directly in the research, development and operation of satellites and earth stations. It does not actually manufacture satellites, this being left to the specialist aerospace companies, such as Hughes Aircraft in the U.S. and British Aerospace Dynamics Group.

The subsidiaries of the Communications Satellite Corporation include Comsat General Corporation (which in turn has a stake, along with IBM and Aetna Life and Casualty, in Satellite Business Systems, now operational in the U.S. for data and voice transmissions for private clients).

Another subsidiary is the more recent Satellite Television Corporation, which is planning an extensive direct broadcasting satellite system in the U.S., using four satellites with two more as back-up. This U.S. DBS system will entail an investment of over $1bn and support between 15,000 and 23,000 jobs. It is estimated that eventual DBS markets and export opportunities will be worth more than $10bn to the U.S. by the end of this decade.

Waveband

In June 1983 the Region 2 Administrative Radio Conference (RARC-83) will convene in Geneva, to draw up a frequency allotment to individual countries in the 12 geigahertz (12.2 to 12.7) waveband for all direct broadcast satellite services in the Western Hemisphere.

Each country will have to submit its detailed plans for satellite broadcasting requirements by the end of next month. The imminence of the meeting accounts for the growing emphasis now being placed on DBS in many countries.

On the manufacturing side of the business, there are now many companies involved either directly on satellite design, development and construction, or on the provision of specialist electronic systems for incorporation in those spacecraft.

In the U.S., Hughes Aircraft Company, through its Space and Communications Group, was the great pioneer of satellites in the West, building Syncom in 1963 and Early Bird in 1965. It has launched more than 40 other communications satellites since then and several more are currently in production.

In the UK, the Dynamics Group of British Aerospace has became a major force in this field, with work now under way on no less than 10 satellites. It has a $100m share of the $700m of work being done for Intelsat on the massive new Intelsat VI series of five satellites, for which Hughes Aircraft is the prime contractor.

In Western Europe, the main emphasis on the development of communications satellites is through the European Space Agency, the multi-national body set up in 1975 to provide a central co-ordinating point for the ideas that were being canvassed for satellite programmes and for rocket launchers and scientific programmes of various kinds in space.

As a result of its efforts, work has been pushed ahead on the Ariane rocket launcher, which is now operational, and on a wide range of scientific and communications satellites.

European telecommunications satellite activities began in 1971 with an evaluation of a potential European regional system. The Orbital Test Satellite was developed and launched in 1978 to demonstrate the performance and reliability of the equipment and to provide an experimental traffic capacity of 3,000 telephone circuits and two TV programmes.

The OTS and its equipment have proved satisfactory and the spacecraft has already provided a clear demonstration of Europe's advanced capabilities in the field of space communications. It has served as the basis for the design of the European Communications Satellite, which is now being undertaken by a ten-nation European consortium, headed by British Aerospace Dynamics Group, with a launch aboard the European Ariane rocket planned for this summer.

The European Space Agency foresees eventual construction of five ECS satellites to meet

CONTINUED ON NEXT PAGE

Peter Marsh examines the increase in international collaboration

Research efforts intensify

WHEN PEOPLE recall the influence of John Kennedy, the former U.S. president, they might well relate a statement he made in 1961. He invited the nations of the world "to participate in a communication satellite system in the interest of world peace and closer brotherhood among people throughout the world."

Kennedy's sentiments struck a chord. In 1964, Intelsat—the International Telecommunications Satellite Organisation—was formed. The system was owned jointly by the member countries, their stake in the organisation varying according to the amount of telecommunications traffic they handled.

Today, Intelsat—in which 106 nations have a shareholding—remains one of the better examples of international co-operation. With its headquarters in Washington DC, it runs a network of 15 satellites in geostationary orbit that channel telecommunications traffic between continents.

From the outset, Intelsat reflected the idea that it would be absurd for individual countries to put into orbit satellites for international phone calls for their own use alone. Such systems would not be economic.

Intelsat's first satellite went into orbit on June 28, 1965. Called Early Bird, it hovered 36,000 km above the Atlantic Ocean and relayed telephone traffic between the nations of Europe and North America and it could carry up to 240 telephone calls at a time. To provide a world coverage, Intelsat nowadays operates satellites stationed above the Indian and Pacific areas as well.

In 1979, Intelsat offered a total of some 16m voice circuits, 10m of them routed through its satellites above the Atlantic Ocean, 4m involving Indian Ocean craft, and the rest channelled via satellites above the Pacific.

The spacecraft launched by Intelsat have, over the years, handled greater numbers of telephone calls. This is a reflection of advances both in the design of the satellites themselves and in the transmission techniques with which engineers code telephone calls and beam them through space from ground stations to the space vehicles.

Intelsat V, the latest generation of Intelsat craft, can route the equivalent of 12,000 telephone calls plus two TV pictures. Intelsat VI, the next series on which the international organisation is working that should enter orbit in 1986, should have twice the capacity. As a result of the advances in technology, the charges levied by Intelsat on its member countries for using the system have plummeted by a factor of one-sixth between 1965 and 1980.

With funds provided by its shareholders, Intelsat maintains an imaginative programme of research.

The projects include an investigation into the possibility of directly linking satellites. Such links should become feasible in the late 1980s.

With the innovation, two satellites in geostationary orbit above, say, the Atlantic and Indian areas could beam telephone calls (or streams of data that emanate from computers) to each other. There would be no need first to channel the signal to a ground station on an intervening land mass.

Efficiency

The feature would help Intelsat route its intercontinental telephone traffic more efficiently—without the noticeable signal delays that appear when calls are "bounced" via two satellites with a ground station in between.

Intelsat is the granddaddy of international satellite consortia; not surprisingly, there is no shortage of imitators. Interestingly, all the nations that sign the organisation's charter promise not to promote other bodies that will harm Intelsat's commercial standing. Hence a privately backed company, that for instance, seeks to channel telephone calls between the U.S. and the UK at a cut-price rate would probably not win the backing of these nations' governments, which are among the best established supporters of Intelsat.

Nonetheless, other international groups have emerged that, in Intelsat's estimation, will not harm its business prospects and which have therefore been backed by governments.

Probably the most important is Eutelsat, a consortium of governmental telecommunications organisations in Western Europe which will operate a series of five satellites, the first from next year.

The spacecraft should make it easier, and less costly, to make phone calls from, say, the UK to Germany. A similar system is to be run by Arabsat, a network of Arab nations that hopes to launch its first satellite in 1984.

Another international consortium—called Inmarsat—formally started business in February. This body will relay telephone calls between ships and shore bases using a number of satellites in geostationary orbit.

Such international groups do not operate totally independently. For instance, Inmarsat, which is based in London and has 26 member states, will lease transponders on several Intelsat satellites for its own use. The organisation is also heavily dependent on yet another international body for the satellites which it will use exclusively.

This body is the European Space Agency, one of the undoubted success stories of international partnerships of the past decade. The agency formally started up only in 1975 and has an annual budget of around £400m, contributed by 11 Western European nations in varying proportions. Of the biggest spenders, West Germany and France pay about a quarter each, Britain contributes a sixth while Italy coughs up about 10 per cent.

ESA conducts scientific research (studies of the atmosphere and of other planets and so on) and also finances projects that emphasise the application of space.

Of the latter, satellites are important. In 1978, the agency launched a test satellite called OTS that was to be the precursor of two satellites for Inmarsat's use called Marecs-A and Marecs-B.

The first of these craft was launched successfully by ESA's Ariane rocket in December last year; the second should follow in September.

Eutelsat

With the Marecs craft, ESA takes the risk of developing and launching the vehicles; afterwards, Inmarsat leases transponders on the satellites for a fee.

A similar arrangement will be followed with the satellites for Eutelsat which, once again, the space agency will develop and launch and then lease out to the second organisation.

In the U.S., NASA has developed scientific satellites and prototype communications craft. But another organisation, Comsat, has been involved most closely in running operational satellite services for communications.

This body is responsible for channelling the U.S.'s land-based telecommunications traffic to the Intelsat system. It also helps to run some of the satellites in the U.S.'s domestic communications services.

Within Europe, not all ventures in the area of communications satellites have involved the European Space Agency. France and West Germany launched in the early 1970s two Symphonie craft which handled communications traffic on an experimental basis only. France will launch in the mid-1980s two Telecom satellites that will channel phone calls between different parts of France and its former colonies overseas, French Guiana in South America for instance.

Consortium

In Britain, meanwhile, a consortium formed by British Telecom, British Aerospace and GEC-Marconi will launch a satellite in 1984 or 1985 for relaying data and telephone traffic from business users in Britain to their counterparts in continental Europe.

The craft launched by the consortium, to be called United Satellites, will also broadcast TV programmes directly from outer space to British homes equipped with the correct receiving equipment.

United Satellites is just one example of the groups of companies that have joined forces to develop and sell satellite communications. These commercial organisations often have their roots in different countries.

British Aerospace and the French firm Matra collaborate in a partnership called Satcom International that is trying to sell communications satellites to governments of Third World countries in particular. The satellites are themselves based on the design that the two companies developed for the European Space Agency for the use of Eutelsat.

British Aerospace is also a leading partner in the MESH consortium that built the OTS satellite for ESA; the other partners include Matra and ERNO of West Germany.

Just to emphasise that the waters of the Atlantic present no barrier to collaboration in space projects, British Aerospace has joined forces with Hughes Aircraft Company of the U.S. In this partnership the British company is playing a relatively small role in a contract won by Hughes to provide up to 16 Intelsat VI craft in the late-1980s at an eventual cost of £800m, the biggest satellite deal in history.

Peter Marsh is Industry Editor of New Scientist.

Mr Alasdair Milne, managing director, BBC TV, with Mr Bill Cotton, director of development, BBC TV, with prototypes of direct broadcast satellites (DBS) receiving antennae.

The era of DBS is on the way and is potentially a highly lucrative aspect of all satellite development. Among the problems, however, is the allocation of frequencies, which is a matter for governments.

European developments

CONTINUED FROM PREVIOUS PAGE

the needs of the system over a ten-year period.

The ECS system will provide international trunk telephone circuits to complement the earth-based networks of the member countries of the European Conference on Posts and Telecommunications (CEPT). It will also provide a means of exchanging TV programmes between the member-organisations of the European Broadcasting Union.

The system, which will be run by Eutelsat, an organisation set up by the administrations or recognised telecommunications authorities of the member-countries of the CEPT, may also be used to provide services such as additional TV relay data transmissions, communications to offshore oil or gas rigs or high-speed data transmissions between small earth terminals.

The earth segment of the ECS will consist initially of 15 stations. The space segment will comprise two ECS satellites in orbit, one operational and the other in reserve, as well as the necessary ground facilities for satellite control.

In addition to the ECS, the European communications satellite scene is currently dominated by two other major ventures—the Marecs maritime communications satellite, to provide reliable long-distance radio links btween ships at sea and the shore, and the L-Sat (or Large Satellite) programme.

The need for the Marecs satellite system stems from the fact that about 93 per cent of all the messages between ships and the shore are sent in Morse Code and only 7 per cent by radio telephone. Because of radio-wave propagation problems, the quality of those communications can be very bad and sometimes it is impossible to establish any link.

Marecs A and B (Maritime European Communications Satellites) are designed to correct this situation. Marecs A is already operational over the Atlantic, and Marecs B is due to be launched soon to cover the Pacific.

The L-Sat (or Large Satellite) programme has two major objectives. The first is to develop and demonstrate in orbit a large, multi-purpose platform for extensive TV broadcasting. The second is to help the definition and development of new types of communications systems for the longer-term future.

The prime contractor in this programme is again the Dynamics Group of British Aerospace, and the first launch is planned for 1986, either aboard the Ariane rocket or the U.S. Space Shuttle.

The European satellie programme would not be complete without the Ariane, the conventional rocket-type launch vehicle developed to ensure that Europe and other countries need not be entirely dependent on U.S. launching facilities.

Despite some initial technical problems the Ariane rocket is now fully operational. An extensive series of launches is planned in the years immediately ahead.

Payloads

Many of the payloads scheduled will be communications satellites. These will include: the Marecs B maritime communications satellite; the European Communications Satellites (ECS-1 to 4); three Intelsat V satellites; Telecom-1A and 1B French communications satellites; TDF, a French TV satellite; and TV-Sat, a German satellite.

Progressively through the 1980s, the aim is to enlarge the capabilities of the Ariane to put increasingly large pay loads into orbit, leading up to Ariane 5, available from 1990, which would be capable of putting up to 10,000 kilogramme payloads into low circular orbits of 200 kilometres altitude, or payloads of 5,500 kilogrammes into higher orbits, whilst also reducing the launch costs per kilogramme of payload.

The Ariane programme, although initiated by the European Space Agency, is now the responsibility of Arianespace, a commercial company set up to manufacture, finance, market and launch the rockets. Arianespace's shareholders include 36 leading European space manufacturers, 11 European banks and the French Centre National d'Etudes Spatiales (CNES), which holds 34 per cent of the shares.

For beyond the 1990s, many different new concepts are being studied both in the U.S. and Europe.

One idea is for a series of large permanent space bases. These could be either manned or unmanned but they would contain their own control and power sources. Effectively they would be permanent telecommunications stations in space, but they would be usable for other space research purposes.

A concept for interconnecting groups of satellites, using microwave or laser transmissions for inter-satellite links is also being investigated.

There is a significant defence interest in the communications satellite industry. The precise number of such satellites specifically launched for defence purposes is not known because both the U.S. and the Soviet Union, the two principal users of such satellites, do not publicise launches.

Military satellites are used not only for the direct transmission of military information by voice or data facsimile between headquarters and commanders in the field, but also for various "spy in the sky" activities, such as photographing enemy installations from great heights and giving impending warning of approaching hostile aircraft or missiles.

Although the possibilities of using satellites for directly hostile purposes, such as carrying laser weapons, is outside the scope of this survey, it is a use which cannot be discounted in the future.

Why the U.S. is way out in front

THE MYTHOLOGY of the satellite industry has it that only Hughes Aircraft, Ford Aerospace, and possibly British Aerospace make a profit out of commercial satellite production.

There are other profitable giants in the business, but either like Lockheed and TRW, their strengths are in defence contracting in the U.S. and component manufacture, or like Nippon Electric and Mitsubishi of Japan, they have forged ahead in the *lower-risk, less* politically-sensitive and potentially more lucrative business of *ground stations.*

Where satellites themselves are concerned, the industry is *substantially an American one.* A technological lead, a domestic land mass suited to the satellite's essentially long-distance attributes, high military and space spending have combined to take the U.S. out of the era of research and into that of commercial application far earlier than the contending industries of Europe and Japan, Canada and India.

American influence showed through in the award in April this year of the contract for Intelsat VI, worth £350m for the first five digital communications satellites—but because the series may extend to another 11 *a potential $1bn.*

Intelsat

Intelsat, owned by 106 telecommunications authorities, of which the U.S. and the UK are the largest shareholders, gave the contract to Hughes in competition with Ford Aerospace. Hughes has already built the majority of the Intelsat series, although Ford won Intelsat V.

As prime contractor, Hughes takes the lion's share, but British Aerospace is the major subcontractor for the cradle carrying the satellite in the space shuttle and for electronic and power units.

Down the line, Spar Aerospace of Canada, France's Thomson-CSF, Selenia of Italy, Nippon Electric of Japan, and West Germany's Messerschmitt-Bölkow-Blohm, also share in the consortium spoils. Each has its specialities, but none has the capability to compete with Hughes and Ford, nor without subsidy, can offer the same price-competitiveness on large vehicles.

The European Space Agency in its report Space Activities in the Eighties, published last year, is frank: "One must accept that Europe cannot become fully competitive in the full range of space applications with other countries in the space field.

"The aim must be to reach an acceptable level of competitiveness in at least a selective number of areas where effort must be concentrated at the R and D level."

Hughes' Space and Communications arm alone had a 1977 turnover of $209m, roughly equivalent to the value of satellite contracts on which BAe was working in 1980. Hughes' current turnover is not available, but estimates put it at around $1bn.

The discrepancy becomes starker when national space expenditures are compared. The U.S. spend about 0.2 per cent of its gross national product on *the space effort, Europe about* 0.04 per cent. The expenditure of Europe, Japan, Canada, India, Brazil, Arabia, Indonesia and Australia — the main space powers outside the Soviet Union —is about half that of the U.S. through NASA, military and private sources.

In the critical satellite development years — around 1963 when Hughes launched the first NASA-funded synchronous-orbit satellite, U.S. space budget boomed along with development contracts. In 1959 the total U.S. space budget was 0.85 per cent of Federal outlay, growing rapidly to a peak of 5.89 per cent in *1965.*

The defence and space momentum allowed Hughes, Ford, RCA, Lockheed and TRW to foster their technologies on the back of development contracts. In the case of the first two, it enabled them to become dominant in the large-scale *production of as nearly as* possible a standard spacecraft, or bus.

In the early 1970s, the emphasis of the U.S. space effort moved away from manned spaceflight and expandable launcher systems towards applications technology in telecommunications, meteorology, and observation, again boosting the satellite industry in areas where there were strong commercial possibilities.

The capability to build a string of communications satellites for government allowed the U.S. companies to amortise development and quality control spending across a series of satellites.

These two represent about 80 per cent of the cost of building a single satellite. If they can be amortised across a string of spacecraft, then manufacturing becomes the predominant cost.

Hence the major U.S. producers with their longer production *runs have compelling* price advantage in the market.

Though the UK had launched the first-ever defence satellite, Skynet, lack of investment and lack of extended military and space effort, meant that the European industry went into a lull until the early 1970s, and the creation of the European Space Agency out of the European Space Research Organisation and the European launcher Development Organisation in 1974.

ESA is, and had to be, essentially a research organisation. Both on the regional level and *at the national one, the industry* had no chance of getting off the commercial ground without the *organisational and political* will to cut the technology gap.

The answer even within ESA had to be co-operative ventures in large-scale projects. The main participants would specialise—France in the Ariane launcher, *telecommunications, and more* recently remote sensing satellites; Germany in the Spacelab in a joint venture with NASA; the UK in the development of a maritime satellite system.

In each case the theory was that there would be national spin-off. France, for example, has made Matra prime contractor for a range of remote sensing satellites (SPOT).

The UK pays about one-third of the financing, some $210m, of the new European large communications satellite, L-Sat, for which BAe is prime contractor, and will probably pay about one-sixth of *ESA's remote sensing* satellite costs of £240m.

The maritime satellite de*velopment has pushed forward* the technology of GEC-Marconi, which provided the payload for Marecs for Inmarsat, part of the London-based International Maritime Consultative Organisation, the first of which was *launched last* December.

None of this gives the European companies strength at the top end of the market. The European Communications Satellite, based on a BAe platform, has only five transponders. Intelsat VI will have 24. It does, however, help to make BAe competitive in medium-range satellites, though within the protected environment of national and regional demand.

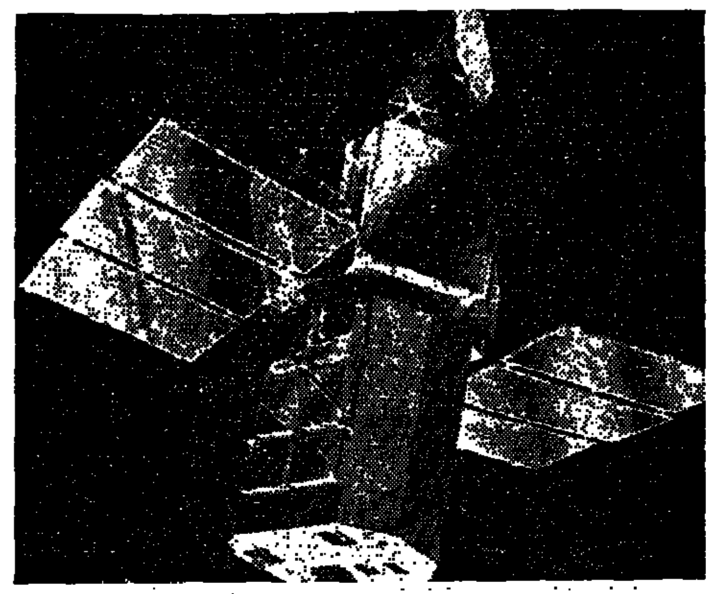
Japan has sought to develop its applications satellite industry by association with U.S. companies on national projects. Mitsubishi collaborates with Ford on experimental telecommunications satellites, Hughes with Nippon Electric on the geostationary meteorological satellite, General Electric with *Toshiba on an experimental* communications satellite.

While Japan has probably outstripped Europe's space effort, *its strategy is essentially the* same—to build on U.S. technology until its industry can *stand on its own two feet.*

While the Americas' challengers take a longer term view, they operate in an essentially controlled environment, which is still in the research and *development phase of the* industry. The U.S. has passed from the technologically-driven, *government assisted era into the* commercial one.

The seed sown by military and space programmes has germinated in the commercial markets with the growth of carriers like American Satellites, Satellite Business Systems, RCA Americom, and Southern Pacific Communications, backed by money from large corporations like AT and T, IBM, and Aetna Life.

Christopher Mansell



SPACE AGENCY planners have set the Space Shuttle's 11th mission, planned for next year, as the first test of the craft's capability to repair satellites in space. Seen above is an artist's impression of the Solar Maximum satellite, which blew a fuse shortly after its launch in 1980, and is being considered as the target for repair by the shuttle.

Basically, the Space Shuttle (officially described as the Manned Re-usable Space Transport System) is designed to be a universal space vehicle

Ever-expanding role for Shuttle missions

THE MOST revolutionary satellite-launching development yet devised is the U.S. National Aeronautics and Space Administration's Space Shuttle — the name given to what is officially described as the Manned Re*usable Space Transport System.*

The product of a development programme lasting more than 10 years and already costing more than $10bn, the Space Shuttle has made three extensive mis*sions into near-earth orbit*—all successful in that the manned spacecraft element of the entire *vehicle, the Orbiter, returned* safely to earth with its two-man crew despite technical hitches both before the launches and during the orbital flights in each case.

As a result of these performances NASA is planning a fourth Shuttle mission in July. Although this will be primarily for the U.S. Department of Defence, it will also carry a small privately sponsored payload by the Wasatch division of the Thiokol Corporation of the U.S.

The fifth Shuttle mission, planned for November, will be the first to launch communications satellites into orbit, with the SBS-C (the third satellite in the series of private satellites built by Satellite Business Systems of the U.S. to serve commercial, industrial and government users), and the Telesat-E, one of a series of satellites built by Telesat Canada, to provide voice communications and TV coverage through Canada.

Basically, the Space Shuttle is designed to be a universal space vehicle. Comprising an Orbiter vehicle with accommodation for a two or three man crew and accompanying scientists, launched into earth-orbit aboard a massive combination of rockets strapped to a big external fuel tank, the Shuttle is designed to enable men and hardware to be put into space on a more regular — and *eventually cheaper—basis than* conventional rockets will allow.

The sheer growth in size of *many of the payloads which gov*ernments, defence agencies and others want to put into orbit is such that conventional rocket launching systems—which have served adequately in the past—are rapidly becoming outdated, and a new launching system of much greater size and flexibility has been needed for some time.

Payloads

The Shuttle has, as part of its Orbiter, a massive cargo bay measuring 60 ft long by 15 ft in diameter, into which a wide variety of payloads can be mounted. The Shuttle's tasks will vary considerably from launching satellites to retrieving them again from orbit, or even repairing them in orbit, through to conducting many different scientific missions.

It will even help to carry men and materials into space to enable them to construct orbiting space stations on a permanent basis high above the Earth, or to erect massive solar power stations capable of converting the unlimited solar heat and sunlight of space into electricity for an energy-hungry world.

The original objective of the NASA was to conduct up to 487 Shuttle missions through the 1980s, with each Shuttle Orbiter vehicle being recovered after each flight and refurbished for use. Each of the four Orbiter vehicles *to be built (Columbia,* Challenger, Discovery and Atlantis, of which Columbia is *already operational) is intended* for use no less than 100 times before being discarded.

The next Orbiter vehicle, Challenger, becomes operational with Shuttle Mission 6 next January, with Orbiter Discovery becoming available for Shuttle Mission 12 in January 1984, and Orbiter Atlantis becoming available in April 1985 on Shuttle Mission 26. The scope of the *programme has been severely* circumscribed by budget constraints, but the NASA is still *planning close to 100 missions* by the mid-1980s, if all continues to go well.

Of these missions, no less than 27 will be devoted to launching communications satellites, involving a total of more than 70 different communications satel*lites of various kinds for a wide* variety of users, ranging from the Intelsat organisation and NASA itself, to many overseas countries including Canada, the Arabian countries (Arabsat), *Australia, Colombia, Germany,* Luxembourg, India, and Indonesia, and several for commer*cial companies in the U.S.*

After Shuttle Mission 5 (called by the U.S. STS-5 for Space Transportantion System No. 5), which will launch another in the U.S. Satellite Business Systems series and the Canadian Telesat-E spacecraft, the satellite launching missions will become more frequent. A NASA tracking and relay satellite will be launched on Shuttle Mission 6 in 1983, together with a Western Union satellite for U.S. domestic communications. Missions 7 and 8 in 1983 are satellite launch missions, as are Missions 12, 14, 15, 16, 17, 18 and 20, all in 1984. Frequent satellite launches by the Shuttle will follow thereafter.

Most of these satellites will be launched with the aid of small booster rockets which will be carried aboard the Shuttle Orbiter vehicle, along with the satellite payload itself.

The Shuttle Orbiter is designed primarily to perform in near-Earth orbit, or at altitudes of about 150 miles or so. It does not, therefore, reach the required geo-synchronous altitude of 22,240 miles above the earth required for communications satellites. Accordingly, additional booster power is needed, and this is provided by solid propellant motors attached to the satellites to propel them, once they have left the Shuttle's cargo bay, up to the required altitude. These devices, called Spinning Solid Upper Stages (or SSUS—another name is Payload Assist Modules) are available in different sizes according to the weights of the satellites. The SSUS-D is capable of putting about 2,400 lbs of satellite into geo-stationary orbit, while the SSUS-A will push a satellite of up to 4,400 lbs into the same spot. Many of the satellites to be launched in the near future will be using these booster devices.

Launching aids

Beyond these, however, as satellites get bigger and heavier, the other launching *aids. One is the Inertial Upper* Stage (IUS), being developed by Boeing under a U.S. Air *Force contract, to enable the* Shuttle to place heavier payloads into higher orbits, or to set them on to inter-planetary trajectories.

The SSUS-D booster will be used on Shuttle Mission 5 next November to put the Satellite Business Systems SBS-C satellite and the Canadian Telesat-E into orbit, while the IUS will be used on Shuttle Mission 6 in January 1983 to launch a NASA Tracking and Data Relay Satellite into orbit.

In the longer-term the Shuttle will make a further contribution *to satellite launching techniques* by helping to construct major platforms in space, which could be either manned or unmanned, upon which several communications satellites performing dif*ferent functions,* and each of vast size, could be mounted. These platforms could be ser*viced by regular Shuttle flights* from Earth, thus obviating the need for the existing frequent *satellite launches. Moreover,* each satellite could be expanded in size as demand for its facili*ties grew. The implications of* such capabilities opened up by the Shuttle are thus enormous; *which is why space scientists* believe that the Shuttle itself is likely in the course of a few *years to transform the current* communications satellite situation.

Michael Donne

Europe-wide international satellite business service will start by early 1984

Commercial bandwagon starts to roll

AT FIRST blush, it seems paradoxical that communications between points on earth can be speeded up by routeing them via a satellite sitting more than 20,000 miles out in space. But the use of satellites for voice and data traffic offers attractive possibilities in terms of flexibility, transmission capacity, variety of services and convenience.

Satellites are now exciting widespread interest, both among public telecommunications administrations and private companies. All the signs are that satellite communications will be one of the leading high-technology growth businesses of this decade.

The possibility of stationing a satellite in a fixed position above the earth's surface and using it to relay signals between distant points was first recognised by Arthur C. Clarke, the British-born scientist and author in 1947. It took almost 20 years for his idea to be translated into action. The first communications satellite, Early Bird (also called Intelsat I) was launched in 1965; it was followed by Intelsat II in 1966 and Intelsat III in 1968.

Until recently, such satellites have been employed chiefly to supplement conventional public telecommunications circuits, particularly on inter-continental routes which lacked sufficient submarine cable capacity. Traffic is bounced off them by large fixed ground stations, with dishes 15 metres or more in diameter, which are connected into national telephone networks.

Advances in technology have greatly widened the range of satellite applications. Electronic components have been made more compact yet more powerful, while payloads have increased. With more transmission power packed into the satellites, the size of the aerials needed to receive signals from them has decreased.

Advantages

This has made possible the use of satellites for mobile communications. For example, many merchant ships now employ satellites for navigational guidance and to stay in contact with bases on shore. The International Maritime Satellite Organisation's new Inmarsat service, which began operating earlier this year, can provide almost instantaneous telephone, telex, facsimile and high-speed data links with ships in most parts of the world.

The application offering the biggest commercial promise during the next few years is widely held to be direct business communications by satellite. By installing compact earth stations on office roofs or in adjacent car parks, companies can set up instantaneous two-way links with similarly-equipped establishments located anywhere in the large geographical area or "footprint" covered by the satellite beam.

The range of services available is far wider than those which most terrestrial communications networks are technically able to carry at present. As well as voice communications, they include very high-speed data links (fast enough to transfer the entire contents of Encyclopaedia Britannica within a few minutes) and video transmission.

Videoconferencing via satellite, also known as teievideo, is expected to play an important role in office automation systems of the future. It enables executives thousands of miles apart to see as well as talk to each other by sitting in front of compact desktop terminals equipped with television screens. As well as watching each others' faces while they speak, they can examine documents and photographs.

Because it demands a great deal of transmission capacity, videoconferencing is far more expensive than telephone communications. But enthusiasts point out that it is also a great deal cheaper than the cost of ferrying executives around the world for business meetings. They argue that it will more than pay for itself in savings on travel budgets.

The U.S. is the most developed market for direct satellite communications. Services are being operated there by American Satellite and by Satellite Business Systems, a joint venture between International Business Machines, Comsat and Aetna, which began operation last year. Both services handle internal communications within large companies which have widely dispersed facilities.

SBS is the more sophisticated of the two, offering customers an extensive range of services but it is still operating at a loss. Some in the industry believe that SBS overestimated the demand for computer data transmission, which has been growing more slowly than forecast. SBS is now concentrating more on promoting video conferencing and voice communications and is seeking authorisation to start a switched telephone service between major U.S. cities.

Direct satellite communications have got off to a slower start in Europe, chiefly for two reasons. The first has been uncertainty about whether such services would be commercially viable over the relatively short distances separating major European business centres. The second was initial lack of enthusiasm among PTTs, the national telecommunications monopolies, which feared that satellites would divert revenues from their land-based communications networks.

None the less, the bandwagon has now started to roll. The PTTs have agreed to start a Europe-wide international satellite business service late next year or early in 1984. It will use satellites to be launched by the European Space Agency and two French spacecraft.

Joint venture

National programmes are also proliferating. British Aerospace, British Telecom and GEC Marconi plan jointly to launch a UK satellite, Unisat, which will be equipped with both communications and direct broadcasting transponders. France, West Germany, Italy and Sweden are all working on similar projects, due to enter operation by the mid-1980s.

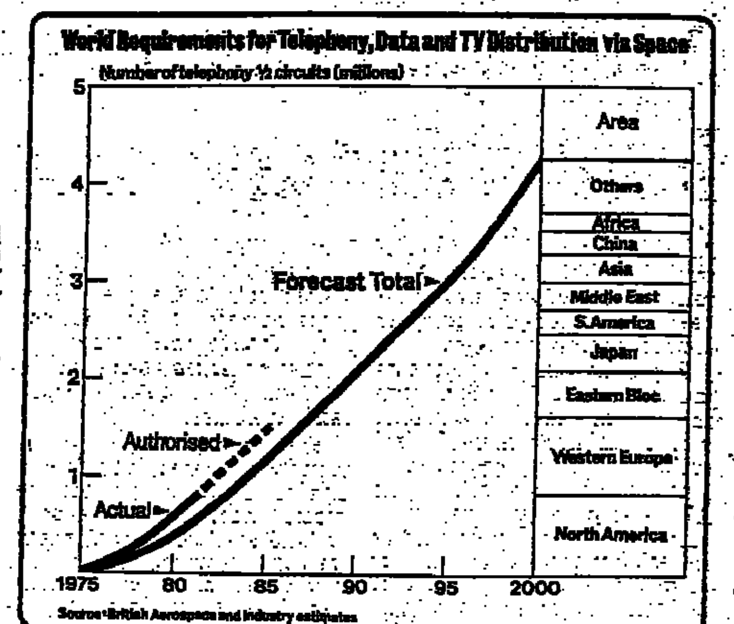
Though Sweden wants to make its programme a co-operative venture with other Nordic countries, the other projects are intended initially to serve only customers in one country. But their "footprints" will inevitably extend beyond national borders, so that they could technically link users in several countries if suitable international agreements are reached.

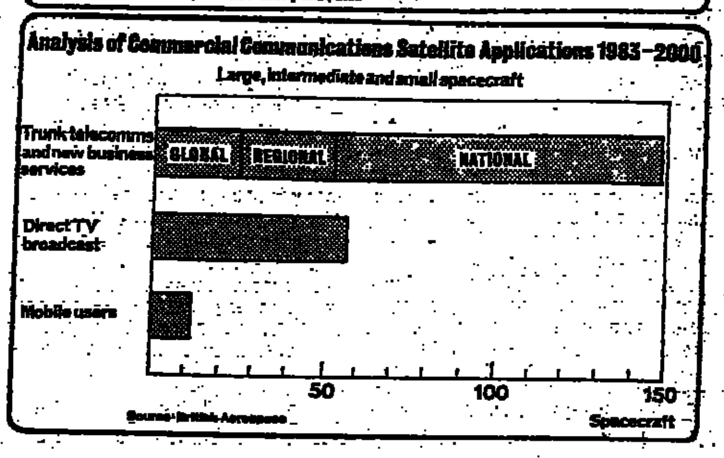
Whether such arrangements will be concluded, however, remains uncertain. The PTTs are chiefly interested in investments which will yield revenues within their own national territories and seem to have little interest in extending services beyond them.

This somewhat narrow approach is also influencing discussion of the tariff structure for the Europe-wide satellite communications service planned for 1984. A number of PTTs want to impose a separate charge for each ground link when the same communication is beamed to several receiving stations.

Another important issue which will determine the development of satellite communications in Europe and the commercial rewards to be gained from them is standards. So far, there has been no concerted attempt to coordinate the standards for the various national satellite programmes and there is a risk that they will turn out to be incompatible. That would seriously hinder any future move to link them together.

Guy de Jonquieres





REMOTE SENSING SATELLITES

Many benefits of monitoring the earth's resources

SPIES in the sky, satellites which scan the earth's surface and report back what they see, have aroused public interest recently as a result of the Falkland crisis. By all accounts, intelligence gathered by U.S. military satellites about the movement of the Argentine fleet has played an important role in helping the Royal Navy to decide how to deploy its task force in the South Atlantic.

Such cloak-and-dagger activities are only one facet of the contribution which satellites can make in telling us more about what is happening on earth. For the past decade, satellites have been sending back a stream of information about agriculture, geological formations, the state of the sea and much else besides which is of considerable practical and commercial value.

For example, analysts at the U.S. Department of Agriculture use satellite information to estimate the size of Russia's grain crop and to forecast its probable import requirements. The information is intended to prevent a repetition of the "great grain robbery" in 1972, when the Soviet Union was able to snap up a large share of the American harvest at bargain prices.

The Russians themselves have used similar techniques to improve cattle breeding. A satellite survey of the republic of Kazakhstan revealed the existence of large stocks of animal fodder. By helping farmers to guide their cattle to the best grazing land, the information made it possible to increase their herds by some 50,000 head of cattle.

Oil rig operators off the coast of north east Canada now receive early warning of approaching icebergs which could cause severe structural damage. The icebergs are towed away long before they near the shore. And satellite pictures of the Isle of Lewis, Scotland, helped in choosing the site for a peat-fired power station by pinpointing the richest deposits of the fuel.

The technique of monitoring the earth from space began in 1972 when the U.S. National Aeronautics and Space Agency launched its first Landsat satellite. Two more Landsats have been launched since and a further two will be placed in orbit later this year.

Landsats do not take conventional photographs but use a technique called remote sensing. They are equipped with special sensors designed to pick up the extremely high frequencies radiated by substances on the earth's surface. Different substances radiate different frequencies and so possess "spectral signatures" which enable them to be distinguished from their surroundings.

The current generation of Landsats circle the earth at a height of about 500 miles and cover the entire globe once every 18 days. They scan an area of just over 100 square miles at a time, transmitting the data received to ground stations in different parts of the world.

The two new Landsats going up later this year will have higher resolution and will cover about 30 square miles at a time. In about two years' time France plans to launch a satellite called SPOT (Systeme Probatoire d'Observation de la Terra) whose focus will be narrowed down to as little as 10 square miles.

The European Space Agency is planning to launch a series of remote sensing satellites from 1987 which will be equipped with even more sophisticated sensors. These will be able to identify thermal fronts, gauge wind speeds, measure wave heights to within 10 cm and take extremely accurate readings of sea temperatures.

At present, Landsat information is available at about £200 for a 100 square mile area, though the cost is expected to rise by two or three times later this year as a result of decisions by the Reagan administration. But even at the higher levels remote sensing will be reasonably priced compared to photographic surveys by aircraft, which cost about £4,000 a day.

The principal challenge in exploiting the technology lies not in obtaining the raw data but in interpreting their significance. The flow of information transmitted by the existing Landsat system is already immense and its volume and complexity will greatly increase as further earth resources satellites enter service.

The information gathered by remote sensing satellites is transmitted to ground stations scattered around the world and stored in computers. The information must then be processed to turn it into a usable form, usually as a graphic display which can be presented on a high-resolution screen.

Data processing

In Britain, a good deal of development work has been done in the field of data and image processing by the Remote Sensing Unit at the Royal Aircraft Establishment in Farnborough, Hampshire. The unit was set up three years ago with backing from the Industry Department principally to promote the use of remote sensing by British industry.

So far the unit has managed to attract about 170 paying customers for its services. They range from large companies like British Petroleum and the Hunting Group to regional development authorities in different parts of the UK and abroad and the Ordnance Survey.

Computerised systems designed by the unit allow the raw data to be manipulated in a variety of ways so that they build up the clearest possible picture of a given area of the earth's surface. The picture is made up of tiny squares, or "pixels," which are assigned different colours. The result resembles an intricate, brightly-coloured mosaic.

The computer is programmed, for example, to highlight all the identical pixels on the screen, so that the operator can identify those areas which are covered by, say, fresh water or forest. It can also compare recent pictures with previous ones. This technique is useful for monitoring developments like snowfall or the spread of vegetation.

In spite of this computerised assistance, interpretation remains a highly skilled and often painstaking business. While the RAE's equipment can pinpoint a clump of trees, it cannot judge whether they are oaks or elms. Equally, Landsat pictures of Britain make no distinction between the Welsh mountains and concrete buildings in London.

Properly used, remote sensing can also yield extremely precise results. The RAE was recently called upon to help Botswana locate water holes in the Kalahari desert whose position was indicated on maps with a margin of error of as much as five kilometres. Using satellite information, their location was pinpointed to within 200 metres.

Guy de Jonquieres

BUILDING AND CIVIL ENGINEERING

Metropolitan areas rebut land shortage argument

ANOTHER SHOT in the war of words over the availability of residential building land has been fired by the Association of Metropolitan Authorities.

For some time the building industry has been at odds with the government and local authorities over whether or not sufficient housing development land is available. Now, the AMA has prepared a report on land for private housebuilding in response to what it describes as general assertions from house-builders' representatives that there is not enough building land to meet the needs of the house building industry.

Overall, says the report, the evidence gathered by the Association indicates that there is no shortage of available land for private housebuilding, given the present level of demand in the metropolitan areas.

The AMA says that the main reason for the recent lack of private housebuilding activity has been the economic situation and subsequent decrease in demand, rather than shortage of land. The slump in private housing output has clearly helped relieve the pressure on housebuilders to find suitable land, though their concern is that any marked revival in output will again quickly expose land shortages.

The report adds that all metropolitan areas and Greater London have, in varying degrees, undertaken assessments of land availability with organisations representing private house builders. Many authorities have contributed to land registers, but few enquiries have been received since their inception.

"We have no evidence," says the AMA, "of authorities hoarding land or of demanding unreasonably high prices. In some areas land has been on the market for a considerable length of time without being sold."

Mr Jack Graham, chairman of the AMA planning and transportation committee, said last week in launching the new report that discussions between organised representatives of the house-builders and local authorities had resulted in general agreement that land is allocated for residential development to meet the demand for at least the next five years.

"Housebuilders are worried about the availability of marketable land," Mr Graham elaborated. "They are short of green belt sites."

Builders, says the AMA, wish to develop in areas of high landscape value which would undoubtedly be attractive areas for residential development. However, Mr Graham emphasised that his members were also under pressure to protect agricultural land, and to revitalise the inner cities.

In the final analysis, says the AMA, the key issue is still that too few houses are being built. It has already forecast that by 1986 there will be a shortage of half a million homes in England and Wales. Additionally, 1,144,000 homes will be unfit to live in, and another 1¼m will be *in major disrepair*.

WILLIAM COCHRANE

RIBA's co-op guide

THE BOOM in workers' co-operatives over the last decade or so—up from around a dozen registered co-ops in 1970 to some 500 today—*seems to be taking root in the architectural profession.*

The Salaried Architects Group of the Royal Institute of British architects has just published a guide to setting up an architects' co-operative.

The guide describes ways in which such principles as collective responsibility and common ownership can be applied in an architectural practice.

The Group says that co-operative practice can offer the ideal environment for practising architecture. It gives the architect the essential scope for individual creativity "which may be stifled in traditional hierarchical practice."

Susan Marsden-Smedley, Salaried Members Officer for the RIBA, said over the weekend that she knew of "existing and prestigious firms" in the process of conversion to co-operative status. "At least three partnerships of standing have been, or are going over," she said. "One of those was set up in 1959."

This, she said, tended to support the view that co-ops would not appeal exclusively to youthful and politically Left-of-centre elements within the profession. "Architects of all political persuasions want independence," she said.

The guide is aimed at architects who are thinking of setting up new practices, at existing firms who want to alter traditional working methods, and at teachers of professional practice in schools of architecture.

The door to co-operative practice in architecture was opened for RIBA members only last year by the change in the Code of Professional Conduct which permitted architects to limit their liability.

Co-operatives are limited liability associations, just as shareholding companies are; the proponents of the guide, however, are quick to point out that architects, whether they operate in co-ops, partnerships or limited companies, are still individually liable for their own negligence.

UK CONTRACTS

Peter Birse gets relief road project

PETER BIRSE'S tender for just under £6m has been accepted by Humberside County Council for the construction of the West Marsh Relief Road at Grimsby.

The 1.37-mile road with its associated Moody Lane link (0.62 miles) will connect the new A180 trunk road—now under construction by the Department of Transport) with the dockland and industrial areas of Grimsby, rejoining the existing street pattern at the junction of Cleethorpes Road and Victoria Street.

Construction of the 24-ft-wide dual carriageway includes two major new bridges; one over the southern arm of Alexandra Dock and the other a viaduct carrying the West Marsh Relief Road over Gilbey Road; the docks railway and the new cut drain.

Other structural work involves building a bridge carrying a single carriageway road over the drain, a footway and cycleway (reconstructed from part of Gilbey Road) over the drain, and a culvert for the drain.

*

CONTRACTS WORTH nearly £4m have been won by the LINFORD BUILDING GROUP, including a £1.3m scheme for the City of Birmingham calling for the erection of the central facility building at the Perry Barr site of Birmingham Polytechnic.

In the same city the company has secured all three phases for the development of the Aston University Science and Technology Development Centre—which the City is undertaking in concert with Lloyds Bank. Value of the award is £1.25m and covers extensive alterations, preparations and improvements.

Milton Keynes Development Corporation has placed a £700,000 contract for 39 houses, and Staffs County Council two projects worth together £680,000 for completion of Amington Health School, Tamworth, and building new accommodation at Chadsmoor Junior School, Cannock.

*

AWARDS FOR over £4.3m have been won by *MILLER CONSTRUCTION* which will construct £2.5m worth of admin. buildings and gatehouse at Mossmorran/Braefoot Bay for Ralph M. Parsons & Co.

Also in Scotland is a £750,000 health centre and day centre for the Lothian Health Board; a £650,000 reconstruction scheme for the Royal Bank of Scotland at the corner of Princes Street/Castle Street, Edinburgh; housing rehabilitation for Glasgow District Council (£1m); and a £135,000 workshop extension for Ferranti at Silverknowes.

*

NEW WORK at home for WIMPEY concentrates mainly on housing projects with a £3.1m development of 151 private homes at Tarn Drive, Bury, Lancs, for Wimpey Homes Holdings.

Built in timber-framed "Superwarm" style, 33 will be studio flats, 33 one-bedroomed houses, 43 two-bedroomed houses, 22 three-bedroomed houses and 22 two-bed bungalows. Wimpey says the increasingly popular studio flat is known as the "Supersingle."

A £1m sheltered housing programme for the Bexley London Borough is under way this month at a site off Erith Road, Barnehurst.

The company also has a £377,000 contract for refurbishment works at Airedale General Hospital, near Keighley, West Yorks., for the Bradford Health Authority.

*

A MIX of office block, industrial units, a school and an old persons' home is worth over £3m to W. E. CHIVERS AND SONS.

The offices will be at Cheese Lane, Bristol, for developer W. E. Chivers Holdings, and the building is being taken by the Clerical, Medical and General Life Assurance Society.

Situated in Old Town, Swindon, on a site called the Central Trading Estate, will be a 22-unit industrial complex developed at a cost of over £1m. The home will be at Wokingham for the Royal County of Berkshire, and the primary school at Highworth, Swindon, for the Wiltshire County Council.

*

WATER AND marine contracts in west London and the Thames estuary make up £2m worth awards to JOHN MOWLEM, including flood defence work on the river Brent at Greenford, Middx, and jetty work at Coryton and Shell (UK) Oil at Shellhaven, Stanford-le-Hope.

The GLC has placed the £1m scheme to alleviate flooding over a 2,000 metre length of the river Brent. Work for Mobil at its Coryton refinery will improve operating and safety facilities under a £400,000 project.

Balance of the new contracts includes maintaining and repairing jetties for Mobil at Shellhaven.

*

FARROW CONSTRUCTION has won the £1.8m project to extend Stretford Town Hall, Manchester, which covers the building of a *three-storey office block with a* basement and two link blocks joining the existing town hall.

The company's northern office also has a £1m plus job for the extension and alterations to Barclays Bank in Yorkshire Street, Rochdale.

UK CONTRACT OVERSEAS

WIMPEY INTERNATIONAL'S involvement on the Jordan Valley Authority's Amman terminal reservoir is worth £10.15m.

The covered service reservoir will employ gravity feed, have *reinforced concrete columns and* roof, concrete floor, and be constructed in the form of three basins, each of which can be used separately.

The roof will be of varying thicknesses and covered with limestone chippings to reflect the sun.

Serving Amman city, the entire reservoir will have a 27,000-square-metre area and should be completed in June 1984.

Plumbing the laser market

EUROPE'S TALLEST office block and Britain's highest solid structure, the 183-metre NatWest Tower, is a mere 3mm out of plumb from top to bottom—an accuracy achieved by the use of lasers.

The precision and simplicity of the laser method enabled steelworkers Redpath Dorman Long to achieve very fast times in erecting the unusual single-floor column sections specified for the Tower. Main contractor Mowlem employed lasers to line and level each floor.

But, while an American construction site will invariably include lasers along with shovels and spades as necessary site tools, their adoption in the British construction industry has been slow.

This reluctance could be due to the traditional conservatism of British builders but may also reflect the tightening of purse-strings while the industry concentrates on surviving the recession.

One man who thinks the tide is turning (and uses the NatWest Tower as a testimony to the tool which has replaced the American theodolite) is UK businessman Hedley Meek.

Meek gets his equipment from Michigan in the U.S. and supplied all the laser systems used to obtain the vertical alignment of the NatWest Tower.

"Smaller companies in the UK—those with working directors who know about site efficiency—take most readily to lasers," he says.

Such is his conviction about the benefits of lasers that he offers to buy them back at cost price from builders who fail to save at least 25 per cent on labour costs.

"My guarantee is safe," Meek adds; "most builders save nearer 50 per cent on measurement and alignment labour costs."

Featured in James Bond films as a lethal instrument for cutting through the toughest metals, the laser (an acronym for "light amplification by stimulated emission of radiation") used in construction is a helium-neon gas type.

It is classified as a low-power output tool rated at less than .002 watts and, although operators should never look directly into its beam, general exposure to any part of the body (other than the eye) is in no way harmful, assures Meek.

He sells a complete package at around £3,200, but the equipment can also be hired from his company, Nevill Long of Southall (01-574 6151).

DEBORAH PICKERING

Around the industry

● JOHN MOWLEM has signed an agreement to invest $1.5m in new company Koppen Mining Services which will take over the business of Koppen Mining Corporation of Albuquerque, New Mexico, America.

● WILLIAM MOSS CONSTRUCTION has formed an association with local Birmingham builder, J. Emlyn Williams, to strengthen its national organisation by moving into Birmingham. It has acquired certain assets of the J. Emlyn Williams business and will operate from an area office at 86 Aldridge Road.

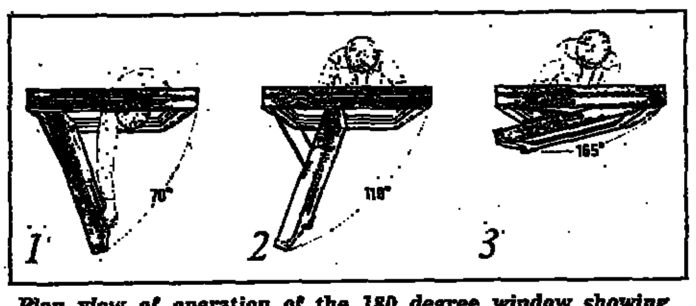
● SINCE LAUNCHING a new modular showroom display system called Proco, Terrapin Reska has now completed its first contract for the product. This is at a Honda motorcycle dealership, Mocheck at Clapham, calling for swift installation which Terrapin completed within a week.

WHAT'S NEW IN BUILDING

Instant windows from Sweden (*both of which can be cleaned from inside a room*) have been introduced by Swedenhouse of East Horsley, Surrey (04865 4004).

The fully-reversible, side hung "*180 degree window*" is fitted with a patented horizontal slide mechanism *allowing the entire sash to be rotated for cleaning outside the plane of the frame without fouling blinds or curtains.*

In normal use, the window *is opened to 35 or 35 degrees* for ventilation and locked in these positions by a child-proof catch. *If required for* emergency exit the window can be opened to a full 90 degrees.



Plan view of operation of the 180 degree window showing how it reverses in its frame for cleaning from inside a room. 1, window opened to full 70 degrees; 2, hinge side slides across frame so entire window swings round outside plane of building; 3, at end of slide travel outer face of window is now toward room for cleaning

New addition to Myson Brooks' dual fan products is a range of six VAD toilet extract units to give twin *fan facility for installation in* false ceilings.

Concentrated in heavy duty galvanised sheet steel, the unit contains two direct drive centrifugal fans with volumes ranging from 60 to 800 litres/sec. They are described as slimline and extremely compact for mounting either vertically or horizontally.

More on 0277 362222.

Barratt solves another's problem

THE WORLD'S largest mop (for clearing up major oil spills at sea and in harbours and estuaries) is being built by Oil Recovery International on a factory site, loaned for free, at Barratt Southern Properties, Priory Industrial Park, Christchurch, Hants.

The mop is valued at about £7,500, measures 70 metres long, and is the key element in the Star Oil Recovery Force 7 system—a £95,000 package designed to carry out work for the Department of the Environment which placed an urgent contract.

As ORI's own works at Christchurch were fully committed for the next few months the company was forced to look for immediate extra short-term space.

Barratt says it was pleased to help out a local firm particularly as the demonstration, if successful could lead to several important export orders for the oil recovery company.

BBC 1

6.40-7.55 am Open University (Ultra High Frequency only). 9.05-9.28 For Schools, Colleges. 10.00 You and Me for 4- and 5-year-olds. 10.15-12.05 pm For Schools, Colleges. 1.00 News After Noon. 1.30-1.45 Pigeon Street. 2.01-3.38 For Schools, Colleges. 3.15 Songs of Praise from Blythburgh. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Cheggers Plays Pop with Keith Chegwin. 4.45 The Space Sentinels. 5.05 John Craven's Newsround. 5.10 Blue Peter: The Prince of Wales shows treasures from the "Mary Rose."

5.40 News.

6.00 Regional News Magazines.

6.25 Nationwide.

6.55 Triangle.

7.20 Bret Maverick starring James Garner.

8.10 Panorama, presented by Richard Lindley.

9.00 News.

9.25 The Monday Film: "Chicago Story," feature film introducing a new series, starring Vincent Baggetta.

11.00 The World of Golf (6): The Modern Greats.

11.28 News Headlines.

11.30 The Computer Programme.

Chris Dunkley: Tonight's Choice

Not a very enticing night on the box. BBC-1 offers a "mini-movie" introduction to yet another American police series *Chicago Story* which, at 95 minutes, takes up most of the evening. Although BBC-2's Hitch-hikers Guide To The Galaxy is good value many of us saw it first time round and we are discovering that Human Brain is too clever by half and that anyway the series had the ground cut from under it by an ITV documentary showing that much of the conventional wisdom expressed here concerning the brain is now open to doubt.

BBC-2 does have two of those short documentaries on quirky subjects tucked away in the schedule: Museum Of The Year at 7.45, the first in a series of four, tonight visiting museums in Watford and Stoke on Trent; and at 10.20 the second in the seasonal series Discovering Hedgerows, the first of which was quite charming.

If you want to clean the silver you could have an interesting evening listening to Radio 3. The third episode in Six From South Kensington, called "Crisis in the Cromwell Road," is set in London's International Exhibition of 1862 where a group of visiting Indians found that their replica village was on the site of a former slaughterhouse. That's followed by a concert from the BBC Welsh Symphony Orchestra comprising Beethoven's first and ninth symphonies.

BBC 2

6.40-7.55 am Open University.
10.30-10.55 Play School.
5.10 pm Knottley Fields.
†5.35 Charlie Chaplin in "A Night At The Show."
6.00 Children's Parties.
6.40 Souvenirs of Sidmouth.
7.00 Better Than New.
7.25 News Summary.
7.30 A Moment To Talk.
7.45 Museum of the Year.
8.10 Marti Webb — Together Again.
9.00 The Hitch-hiker's Guide to the Galaxy.
9.30 Human Brain.
10.20 Discovering Hedgerows.
10.45-11.35 Newsnight.

LONDON

9.30 am Schools Programmes. 12.00 Cockleshell Bay. 12.10 pm Rainbow. 12.30 Supersavers. 1.00 News, plus FT Index. 1.20 Thames News with Robin Houston. 1.30 Van Der Valk. 2.30 Monday Matinee: John Mills in "Africa—Texas Style!" 4.15 Sylvester. 4.20 The Sooty Show. 4.45 Smith and Goody. 5.15 Gambit.

5.45 News.

6.00 Thames News.

Andrew Gardner, Rita Carter: The programme includes live coverage of President Reagan's meeting with The Queen at Windsor.

6.35 Crossroads.

7.00 The Krypton Factor.

7.30 Coronation Street.

8.00 Union Castle.

8.30 World in Action.

9.00 Minder starring Dennis Waterman and George Cole.

10.00 News.

10.45 Looks Familiar:

11.15 Thriller: Barry Nelson and Nyree Dawn Porter in "Death In Small Doses."

12.25 am Close: Sit Up and Listen with Pam Gems.

† Indicates programme in black and white

All IBA Regions as London except at the following times:—

ANGLIA

1.20 pm Anglia News. 2.30 Monday Film Matinee: "The Horse's Mouth," starring Alec Guinness, Kay Walsh and Renee Houston. 5.15 Diff'rent Strokes. 6.00 About Anglia. 6.30 Benson. 10.45 *Anglia Reports*. 11.15 *Thriller*. 12.40 am Reflection.

BORDER

1.20 pm Border News. 2.30 Film: "Fancy Pants," starring Bob Hope and Lucille Ball. 6.00 Lookaround Monday. 6.15 Fashion Today. 6.30 Look Who's Talking. 9.00 Quincy. 10.45 Conference Report—Full coverage of the SNP Conference. 11.45 Border News Summary.

CENTRAL

1.20 pm Central News. 2.30 The Monday Screen Matinee: "The Blue Peter," starring Kieron Moore. 6.00 Central News. 10.45 Strike: The Birth of Solidarity. 12.45 am Central News.

CHANNEL

1.20 pm Channel Lunchtime News, What's On Where, and Weather. †2.30 *The Monday Matinee:* "Nor The Moon By Night." 5.15 Emmerdale Farm. 6.00 Channel Report. 6.30 Happy Days. 10.43 Channel Late News. 10.50 *Aujourd'hui en France*. 10.55 *Thriller:* "A Killer In Every Corner." 12.15 am News and Weather in French.

GRAMPIAN

9.25 am First Thing. 1.20 pm North News. 2.30 My Father's House. 3.30 Crocodiles In Cream. 6.00 North Tonight. 6.35 Country Focus. 10.45 Conference Report—Full coverage of *the SNP Conference*. 11.45 The Monte Carlo Show. 12.45 am North Headlines.

GRANADA

1.20 pm Granada Reports. 1.30 Survival. 2.00 Movie Memories. †2.30 Monday Matinee: "Cardboard Cavalier," starring Sid Field and Margaret Lockwood. 6.00 Private Benjamin. 6.30 Granada Reports. 9.00 Quincy. 10.30 *Danger UXB*. 11.30 *Andy Williams* in Concert.

HTV

1.20 pm HTV News. †2.30 Monday Matinee: "Judgment Deferred" starring Hugh Sinclair. 6.00 HTV News. 10.43 HTV News. 10.45 Soap. 11.15 Star Parade.

HTV Cymru/Wales—As HTV West except: 12.00-12.10 pm Dacw Mam Yn Dwad. 4.15 Murphy's Mob. 4.45-5.15 Sêr. 6.00 Y Dydd. 6.30-7.00 Report Wales. 8.30-9.00 Yr Ythnos. 11.15 World in Action. 11.45-12.15 am The Medicine Man.

SCOTTISH

1.20 pm Scottish News. 2.30 Monday Matinee. 6.00 Scotland Today. 6.40 Crime Desk. 10.45 Conference Report—Full coverage of the SNP Conference. 11.45 Late Call. 11.50 Nero Wolfe.

TSW

1.20 pm TSW News Headlines. †2.30 "Nor The Moon By Night," starring Brenda Lee, Michael Craig and Patrick McGoohan. 4.12 Gus Honeybun's Magic Birthdays. 5.15 Emmerdale Farm. 6.00 Today South-West. 6.30 Happy Days. 10.47 TSW Late News. 10.50 Postscript. 10.55 Thriller: "A Killer In Every Corner." 12.15 am *South-West Weather*.

TVS

1.20 pm TVS News. 2.30 "Zuma Beach" (TV Movie). 5.15 Watch This Space . . . That Monday Evening Feeling. 5.30 Coast to Coast. 6.00 Coast to Coast (continued). 6.30 Emmerdale Farm. 10.45 "Magic," starring Anthony Hopkins and Ann-Margret. 12.35 am Company.

TYNE TEES

9.20 am The Good Word. 9.25 North-East News. 1.20 pm North-East News and Lookaround. 2.30 Monday Matinee: "When Dinosaurs Ruled The Earth." 5.15 The New Fred and Barney Show. 6.00 North-East News. 6.02 Gambit. 6.30 Northern Life. 9.00 Quincy. 10.45 North-East News. 10.47 Briefing. 11.30 Lou Grant. 12.25 am The Sound of Silence.

ULSTER

1.20 pm Lunchtime. 2.30 Monday *Matinee:* "*Blithe Spirit*," *starring* Rex Harrison, Constance Cummings and Kay Hammond. 4.13 Ulster News. 5.15 Film Fun. 6.00 Good Evening Ulster. *6.30 Square One. 10.44 Ulster Weather.* 10.55 The Royle Line. 11.25 A New Kind of Family. 11.55 News at Badtime.

YORKSHIRE

1.20 pm Calendar News. 2.00 Monday *Matinee:* "Blithe Spirit," starring Rex Harrison, Constance Cummings and Kay Hammond, with Margaret Rutherford. 6.00 Calendar (Emley Moor and Belmont editions). 6.30 Calendar Countdown. 10.45 "Countess Dracula," starring Lesley-Anne Down.

RADIO

(S) Stereo broadcast (when broadcast on VHF)

RADIO 1

5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates. 11.30 Paul Burnett. 2.00 pm Steve Wright (S). 4.30 Peter Powell. 7.00 Stayin' Alive. 8.00 David Jensen. 10.00-12.00 John Peel (S).

RADIO 2

5.00 am Steve Jones (S). 7.30 Terry Wogan (S). 10.00 Jimmy Young (S). 12.00 Gloria Hunniford (S). 2.00 pm Ed Stewart (S). 4.00 David Hamilton (S). 5.45 News, sport. 6.00 John Dunn (S). *8.00 Folk on 2 (S).* 9.00 Humphrey Lyttelton with the Beat of Jazz (S). 9.55 Sports Desk. 10.00 Funny You Should Ask with Peter Jones. 10.30 Star Sound with Nick Jackson. 11.00 Brian Matthew. 1.00 am Encore (S). 2.00-5.00 You and the Night and the Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Morning Concert (S). 8.00 News. 8.05 Morning Concert (continued). 9.00 News. 9.05 This Week's Composer: *Vivaldi*. *10.00 Bournemouth Symphony* Orchestra (S). 10.55 Kenneth Mobbs (S). 11.35 Songs for Strings (S). 12.05 pm Haydn and Chaikovsky (S). 1.00 News. 1.05 BBC Lunchtime Concert (S). 2.00 Matinee Musicale (S). 3.00 *New Records* (S). 4.55 News. 5.00 Manly For Pleasure (S). *7.00 Purcell* at the Playhouse (S). *7.56* Six from South Kensington. 8.00 BBC Welsh Symphony Orchestra, part 1 (S). 8.30 A Mozart Pilgrimage (S). 8.50 BBC Welsh Symphony Orchestra, part 2 (S). 10.00 20th-century Czech piano music. 10.45 Jazz in Britain (S). 11.15 News.

RADIO 4

6.00 am News Briefing. 6.10 Farming Week. 6.25 Shipping Forecast. 6.30 Today. 8.35 The Week On 4. 8.43 John Ebdon with recordings from the BBC Sound Archives. 8.57 Weather, travel. 9.00 News. 9.05 Start the Week with Richard Baker (S). 10.00 News. 10.02 Money Box. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.03 *Down Your Way*. 11.48 *Poetry Please!* 12.00 News. 12.02 pm You and Yours. 12.27 The Day Job. 12.55 Weather, *travel*, programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Afternoon Theatre. 4.30 History Reflected. 4.40 Story Time. 5.00 PM: News magazine. 5.50 Shipping Forecast. *5.55 Weather, programme news.* 6.00 News, including Financial Report. 6.30 The News Quiz (S). 7.00 News. 7.05 The Archers. 7.20 Start the Week with Richard Baker (S). 8.00 The Monday Play (S). 9.30 Kaleidoscope (S). 9.59 Weather. 10.00 The World Tonight. *10.30 Science Now.* *11.00 A Book at* Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 11.45 Sideways a Bit. 12.00 News.

THE WEEK IN THE COURTS

Lord Denning's indelible mark

BY JUSTINIAN

"HIS INFLUENCE on the law was immense. He extracted it from pedantry, technicalities and narrow-mindedness. He brought into it broad principles of justice and of equity. He was eloquent. He made speeches. He gave judgments."

That is how Lord Denning, who at 83, has announced his impending retirement after 38 years on the bench, eulogised Lord Mansfield, a great commercial judge of two centuries ago. It is how Lord Denning would have himself judged. But will he be?

However demeaning was the occasion for his departure, it was the smallest blemish on an unparalleled record of judicial behaviour. The slight upon the ethnic minorities in his most recent of a steady stream of books over the last five years, was at worst a thoughtless and uncharacteristically tasteless slip. No judge in living memory conducted himself in such impeccable fashion.

Every advocate of the last 20 years during Lord Denning's presidency of the Court of Appeal as Master of the Rolls would testify to his unceasing courteousness. Even that most tiresome of advocates, the litigant in person, would echo that sentiment. One such member of that tribe proclaimed after a successful application for an adjournment: "My Lord, it is the likes of you that make tolerable the lives of persons like me, a litigant in person." It was a testimonial that was both genuine, and unqualifiedly deserved so sure has been Lord Denning's touch in handling the myriad of persons appearing in his court room.

Lord Denning's dominance of his court was not restricted to *the mechanics of oral hearings*. He organised the workload of the Court of Appeal in such a way that every important and interesting case was directed into his list and not to the other divisions of the court. Almost every publicly important decision of the Court of Appeal over the last two decades, with the notable exception of Revenue appeals for which he had little taste, had Lord Denning's prime and indelible mark upon it.

This was because he invariably gave the first, and hence leading, judgment. Every other presiding judge in other divisions of the Court of Appeal has tended to parcel out the work among his judicial brethren, often contenting himself with a simple "I concur." For Lord Denning it was not a case of being *primus inter pares*. He always led, and hoped that his two judicial book-ends would not outvote him.

> Denning invariably gave the first judgment. He always led, and hoped that his two judicial book-ends would not outvote him.

With his exact contemporaries—most of whom have long since departed from judicial office—Lord Denning was frequently the dissenter. But in more recent times, with the second and even third generation of Appeal Court judges, he has more frequently been able to carry them along with him: only to be thwarted just as frequently by the House of Lords. It is on this score that one will ponder the permanence of Lord Denning's greatness.

He will undoubtedly be remembered with the deepest affection, and with not a little respect, for his legal scholarship, for his immense store of historical knowledge and for his judicial acumen reflected in a prodigious output of court judgments and extra-judicial outpourings. But as to his imprint on the jurisprudence of the English legal system there remains a large question-mark.

If future generations will rate him as a significant contributor to the development of the law in post-war England, they will have at least to overlook one infuriating feature of Lord Denning's judicial approach. One, less than kind, critic once stated that Lord Denning possessed the fatal combination of being both unscrupulous and naive. Unscrupulous, because he did not avoid cheating with the case law, discarding or ignoring legal precedent that stood in his way of achieving what he considered was the justice of the case. And naive, because he so often did not perceive the social consequences of his peculiar brand of justice.

Justice was the quintessence of his judicial office. But it was justice, not according to the established law, but directly *reflecting some deep religious* morality. Natural justice, of *which Lord Denning was such a devoted exponent*, stemmed from natural law and not out of any modern sense of fairness.

The ultimate key to Lord Denning's outmoded philosophy is to be found in his latest, temporarily withdrawn book, *What Next In The Law*. His unbridled disdain for Jeremy Bentham and the Utilitarian philosophers is unconcealed. He writes: "I never thought anything of Jeremy Bentham. He was the most pretentious person that ever lived." The philosophic calculus — the greatest happiness of the great number "as a solution for all legal problems as well as social ones, solves nothing."

RACING

BY DOMINIC WIGAN

ASSERT pulled off a unique double for the Sangster-O'Brien *camp with a comfortable victory* in yesterday's French Derby, the Prix du Jockey Club.

Trained by Vincent O'Brien's 26-year-old son David, Assert, who was given anything but a hard race when going down to Golden Fleece on his seasonal debut, was a deserved winner.

The only hard luck story of the race *surrounds* Alfred's Choice who did not get clear of trouble until far too late. Earlier in the afternoon at Chantilly, Melyno had collared and raced clear of the Newmarket 2,000 Guineas winner Zino in the Prix Jean Prat. Third place went to Be My Native, England's sole representative.

Few racegoers at Epsom on Saturday can have begrudged Henry Candy his first classic *success achieved through* Time Charter in the 204th Renewal of the Oaks. Success for Candy —some 11 years older than David O'Brien—in one of England's five classics has been long overdue. It follows that fateful time in the spring when 48 hours after seeing Time Charter find only On the House too good in the 1,000 Guineas, the Kingstone Warren handler witnessed the fastest colt he has ever trained in Wind and Wuthering *failing* by *inches* to hold off Zino.

Candy, one of a small and dwindling band of trainers whose loyalty towards their stable staff and jockeys is *rarely questioned*, must have been well satisfied with the lack of nerves shown by his apprentice Billy Newnes.

Newnes, 22, the first apprentice to land a classic since Joe Mercer brought Ambiguity home in the same race almost 30 years ago, did not produce the 1,000 Guineas runner-up until the Barry Hills fillies *Slightly Dangerous* and Last Feather were already locked in battle inside the final furlong.

Calling on his good-looking bay mount with hands and heels, Newnes kept Time Charter beautifully balanced and straight as a die as he drove for the line. Time Charter's four closest pursuers were also, remarkably, bays.

There is already much similarity between the careers and temperaments of Newnes and *Frankie Durr*. Both *tiny jockeys* joined racing stables from the same underprivileged area of Liverpool, and neither of their families had had any connection with racing. Newnes is rapidly developing the canniness in tactics and the strength in the finish so often displayed by Durr before his retirement.

LINGFIELD

2.00—Hawaiian Heir*
2.30—Rutland
3.00—Gavo**
3.30—Pyjamarous
4.00—Burnbeck
4.30—Karminski

LEICESTER

2.15—Mac's Tally
3.15—D'Lo
4.15—Triple Tipple***

THE MANAGEMENT PAGE

Why BL turned quality control on its head

BY LORNE BARLING

ABOUT 18 months ago, BL decided that it needed to review the method by which it measured the quality of the products within the car production and components plants of its newly-formed volume cars company, Austin Rover. The need for such a re-think by management related as much to changing design and production techniques on the company's new model range as to the importance of achieving customer satisfaction.

All major motor companies have quality control systems of various kinds, usually based on visual checks and road tests, but the system BL has been introducing is based on a new approach to quality.

The new system which has evolved is operated by about 20 "auditors," mainly specially-trained shopfloor men, who award demerit points for faults on vehicle components, roughly in accordance with how seriously a customer would regard them. By applying the average customer's quality criteria instead of those traditionally used at the end of a production line Austin Rover has turned its system on its head.

Advantages

Andy Barr, managing director of Austin Rover and a prime mover in improving quality, says one of the major advantages of high technology manufacturing, such as computer aided design and production, and the increasing use of robots is repeatability. "Design engineers are now required to ensure that components are easily repeatable to a high standard. This ensures that products come out right in the end and that is what quality is about," he says.

The drive to create a new quality yardstick applies not only to finished vehicles, but also to components supplied from within the company and by sub-contractors. Barr admits, somewhat grudgingly, that "there was a time when quality was not what it should have been at BL," but he has since taken a tough stance to ensure changes were made. He now believes that, apart from model improvements, this year's Rover is of better quality than last year's, and 1983's will be better still.

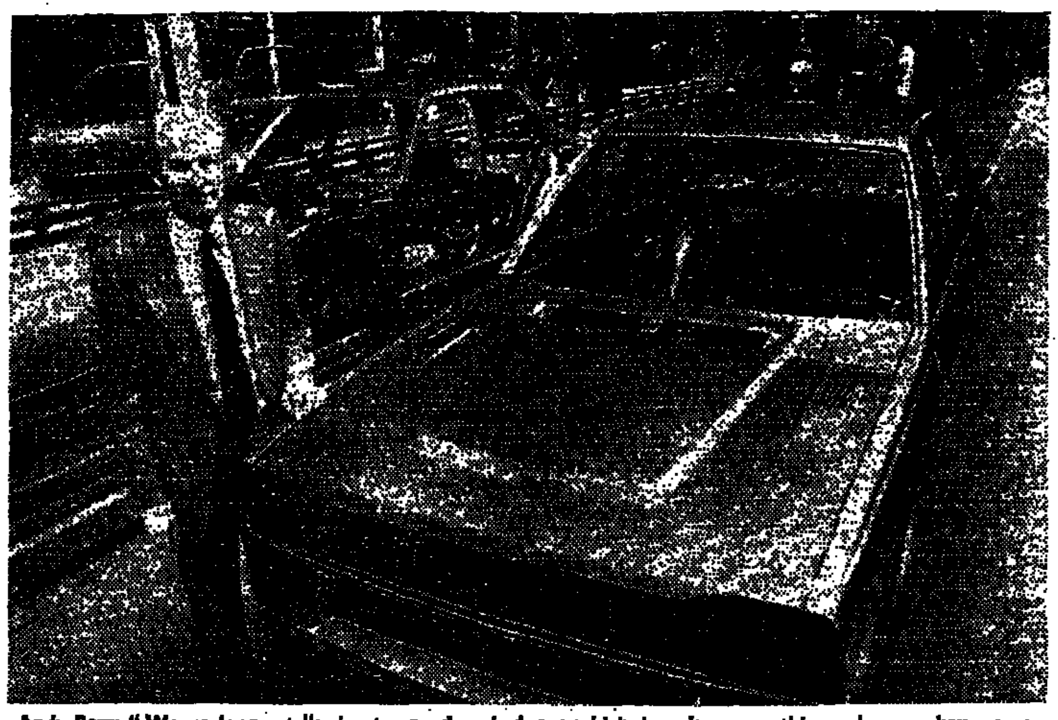
The quality system now being applied means, for example, that any fault on a car which results in something not working immediately attracts the maximum of 10 demerit points. Significantly "auditors" work to strict standards manuals and are not allowed any degree of self-expression in how serious a fault is. This is a reverse of previous practice, which allowed norms to vary according to the judgment of the "auditor."

A "minor" fault, attracting five demerit points, is one which not all customers would find immediately, such as flawed paintwork in a less than obvious place, or perhaps faulty seat stitching. "Incidental" faults, which are usually invisible to the customer, receive three points.

All these demerit points are finally recorded, after a 20-mile road test, against the offending production process involved—such as assembly—or, if the fault is intrinsic, against design engineering. The total is then measured on a quality index (or QI). This works on the basis that the greater the number of demerit points the lower the score on the index. A car with no demerit points would score a maximum 100 on the index.

The statistics of every day's production at all Austin-Rover's major plants is sent immediately to Barr, giving him the ability to make an instant assessment of the quality spread in QI terms.

"We no longer talk about a good or bad car, which doesn't mean a thing unless you have some means of measuring quality. But if an index is mentioned, we know exactly what sort of car we are talking about," he said.



Andy Barr: "We no longer talk about a good or bad car, which doesn't mean a thing unless you have some means of measuring quality"

When a number of high index cars began coming off the production line at Longbridge recently, all work in the newly modernised paint shop was stopped and workers given immediate retraining to correct the fault.

Similarly, when it becomes evident that a fault is recurring, the operator concerned is brought off the production line to see the result of his work and discuss means of improving the process or his handling of it. Industrial relations are said to be improved by the ability of the workforce to become involved in quality control.

The immediate advantage of the system, it is suggested, is that it allows plant directors to monitor output closely, while in the longer term it provides a monthly picture of production quality for Sir Michael Edwardes, BL's chairman, and members of the board.

But for Barr, creating the yardstick and a flow of information has been only part of the exercise. "It's how you use the information that really counts," he said, pointing out as an example that the recent discovery of damage to wing paintwork during the final assembly of some cars had led to the use of protective plastic film.

Austin Rover has also tightened quality requirements for component suppliers; they are now dropped if they achieve less than 98 per cent reliability, although this seldom happens and quality has been improving.

Moreover, suppliers who do slip up are no longer required to reimburse BL only for materials when a fault occurs, but for the entire cost of vehicle rectification, a draconian incentive which has on occasions led to considerable anguish.

On the tecnical side, the most important aids to repeatability are high technology measuring and manufacturing techniques. For example, the ability to achieve consistent car body dimensions by means of electronic measuring equipment has improved the efficiency of subsequent assembly.

Similarly, creep and wear of production equipment can be detected at an early stage through electronic monitoring, an important factor in reducing later rectification cost. The use of robots for jobs such as the application of underseal has also eliminated the chance of random areas not being adequately covered.

Commitment

Design improvements, such as heavy investment in CAD-CAM (computer aided design—computer aided manufacturing) equipment by Pressed Steel Fisher, BL's body-pressing subsidiary, have reduced costs, speeded up work and in Barr's words, simply made cars "more buildable" through improved tolerances which make parts fit together better.

Perhaps the greatest commitment by BL towards customer satisfaction has been in improving paint finish, and the new £35m paint shop at Cowley, Oxford, where the Rover, Acclaim, Ambassador and Ital cars are produced, is said to be the most modern in Europe.

"The whole technology of our paint application has changed, and we are now providing the best paint finish we know how to achieve," says Barr, who has an intense interest in this aspect of quality and customer reaction.

Austin Rover management is now committed to the belief that the long-term appearance of a car is extremely important to the average customer, and efforts have been directed at achieving a finish that will outlast the best competitor's.

However, the increasing popularity of metallic colours has led to problems; since these tend to lose their inherent shine more quickly than conventional paints, BL has tackled this, like some other companies, by covering its metallic paints with a protective clear gloss that adds depth.

One particular problem which is known to infuriate customers is the failure of electrical equipment, particularly centrally controlled door locks and windows, and partly for that reason BL has installed a system called VETS (vehicle electrical testing system) manufactured by Ferranti.

This is designed to ensure that all circuits are not only functioning but are free from faults, since these can often be detected by voltage drops during the test sequences.

Overall, Austin Rover appears to have gone to great lengths to ensure that its heavy investment in new cars, both past and future, will not be nullified by customer reaction to a few relatively minor but telling faults.

ACCOUNTANCY

Banks enter the fray

BY MICHAEL LAFFERTY

BRITAIN'S accountants had better watch out because the banks are going after their clients. The banks are thinking this way for a variety of reasons. Most fundamentally, they envisage a major switch in the way in which traditional personal banking services are delivered—away from bank branches and towards the home, the retail store, and the place of work.

The trend is identifiable in several European countries. Indeed, a recent survey of leading bankers found that nearly 75 per cent of European banks are thinking about shifting the balance of staff activities over the next five to 10 years from administration towards the provision of personal financial advice.

This process is closer to hand than many people appreciate. The big clearing banks have already announced plans to introduce a nationwide system for electronic funds transfer at the point of sale (EFTPOS) and a committee has just started work on this. Meanwhile, Barclays Bank is shortly expected to announce Britain's first home banking experiment based on a television set. Similar experiments are already under way elsewhere, notably in West Germany.

Such moves will leave the banks with vast nationwide branch networks, with more than 13,000 outlets in all, and a great deal of spare capacity. By a curious coincidence the number of bank branches throughout the UK is approximately the same as the number of accounting firms in the country.

A number of recent developments in the UK point to the way things are going. Within the space of little more than a year the big London clearing banks have launched a massive attack on the building societies, and now have a major share of the mortgage market. Only last month, Lloyds decided to enter the estate agency business.

Increasingly banks are talking about providing customers with a complete range of financial services, and are becoming expert at marketing and market segmentation in the process. They are learning that the needs of personal customers differ in certain important respects from those of quoted companies, and that small businesses require a further type of service.

There is some evidence that a small number of firms of accountants are thinking in similar terms. But the general image of practising firms is one of sameness. Most firms like to imagine that they can provide a wide range of services—indeed whatever the customer walking through the door happens to demand.

Accountants as a rule are not generally lacking in confidence about their ability to provide better services than competitors, whether these be solicitors, insurance brokers, or banks. But so far the nature of the competition has been relatively gentlemanly, and the accountants' charges have not seemed to be out of line with the rest of the market.

This will almost certainly change over the next five to 10 years, as the banks resort to cross-subsidisation in order to build market share. Even without that, the banks can be expected to take every opportunity to sell other services when customers enter branches, receive statements or enter into correspondence.

In order to meet this coming challenge accounting firms will require increased awareness of the changes that are taking place in the financial services industry in general, greater specialisation, and much increased visibility.

This means that out-moded restrictions on professional advertising will have to go by the board. Accountants will have to learn that marketing is an essential part of running their practices, and that it involves a bit more than joining the local Round Table.

Early battle for SSAP 16

THE LONG-DRAWN-OUT British debate about current cost accounting (CCA) is set to take another extraordinary turn in July when members of the English Institute of Chartered Accountants will be asked at a special meeting to vote against the CCA accounting standard, SSAP 16. Once again, the campaign against CCA is being led by David Keymer and Martin Haslam, the sole partners in a small Burgess Hill accounting firm.

This is the same team that so effectively destroyed the wide-ranging Morpeth CCA scheme, proposed in the exposure draft ED 18, back in July 1977. On that occasion an attractively worded resolution was carried by 54 per cent of those voting.

While the two events, and the issues at stake, may appear identical, this is not the case. Back in 1977 the British accountancy profession was being asked to endorse a complete changeover to CCA as the main accounting system for all companies. Furthermore, the plan, as set out in ED18, was unnecessarily complicated, and very badly marketed.

The inflation accounting plan that now operates (SSAP 16) bears little comparison to ED18. Most significant in the context of the forthcoming special meeting is the fact that it only calls for CCA figures in supplementary form—and then only from quoted and other large companies.

Another crucial point is that SSAP 16 is only a provisional accounting standard, applying for three years. The special meeting comes halfway through a trial period, well before there has been opportunity to evaluate the relevance of the standard.

If the majority of quoted companies were refusing to implement SSAP 16 there might be some argument for scrapping the standard at this stage. But this is not the case.

Again, if David Keymer and Martin Haslam represented a part of the profession that was actually concerned with auditing or advising companies affected by SSAP 16 their action in calling this meeting would have some credibility. As it is, they do not.

The forthcoming special meeting is therefore unnecessary. Now that it has been called, English chartered accountants will have to stand up and be counted. Anything less than a major defeat for Keymer and Haslam in July will do great damage to the profession, and particularly to the already threatened credibility of the rule-making Accounting Standards Committee.

Michael Lafferty is editor of Financial Times World Accounting Report, and editor and publisher of Retail Banker International.

CONTRACTS AND TENDERS

INVITATION FOR PRE-QUALIFICATION

FIRST STAGE ISTANBUL SEWERAGE PROJECT

Contractors in the field of civil and sanitary engineering works, with particular experience in the construction of sewerage systems, treatment plants, sea outfalls and the attendant electrical and mechanical works are invited to participate in a pre-qualification procedure, in order to be included in the list of prospective contractors for the execution of the First Stage Istanbul Sewerage Project (Yenikapi area).

THE PROJECT:

1. The General Directorate of Istanbul Water and Sewerage Administration (ISKI) is responsible for the preparation and execution of a sewerage and sewage disposal project in the Greater Istanbul Municipality area, which has been scheduled for execution during 1982-1987.
2. The project regarding its major contracts has been or is being prepared with the assistance of the Engineering Consultants who will also contribute to the pre-qualification of contractors.
3. The project comprises the construction of sewage disposal facilities for the Yenikapi drainage area, located in the city of Istanbul at the European side of the Bosphorus between the Golden Horn and the Sea of Marmara.
4. The sewage disposal facilities comprise interceptors (about 27 km, of which about 4 km as tunnel), a pre-treatment plant (aerated grit chambers) with influent and effluent pumping stations (max. about 12 m3/sec.), force main (2.4 km) and a submarine outfall main with diffusor into the Sea of Marmara (length 2 km).

THE CONTRACT:

1. The project works will be constructed under six separate contracts, viz:
   a) the Alibeyköy interceptor along the Golden Horn, covering a construction period of 36 months starting July 1983 (issue of enquiries Jan. 1983, submission of tenders March 1983);
   b) the Bakirköy and Saraybumu interceptors and force main along the Sea of Marmara, covering a construction period of 32 months starting November 1983 (issue of enquiries May 1983, submission of tenders July 1983);
   c) the Fatih interceptor tunnel and other possible tunnels, covering a construction period of 24 months starting April 1984 (issue of enquiries Oct. 1983, submission of tenders Dec. 1983);
   d) the influent and effluent pumping station and pre-treatment plant at Yenikapi, covering a construction period of 34 months starting June 1984 (issue of enquiries Dec. 1983, submission of tenders Feb. 1984);
   e) the electrical and mechanical installations attendant to the pre-treatment plant, pumping stations and pumping mains, covering a manufacturing, installation and commissioning period of 34 months starting July 1983 (issue of enquiries Jan. 1983, submission of tenders March 1983);
   f) the submarine outfall main at Ahirkapi, covering a construction period of 30 months starting October 1983 (issue of enquiries March 1983, submission of tenders June 1983).
2. Contractors are allowed to act in joint venture or joint operation with other contractors for this project.

INVITATION:

The forwarding of participation forms for this pre-qualification can be asked by mail or by cable at the latest on June 21, 1982 at the following address:

Mail Address:	Cable Address:
ISKI. Istanbul Su ve Kanalizasyon Idaresi,	Ist Sular
Genel Müdürlügü, Fransiz Cikmazi,	Istanbul
Beyoglu-Istanbul, Turkey	Turkey

Completed pre-qualification forms shall be submitted in two copies by mail or personal delivery to the above address at the latest on July 23, 1982.

SUDAN RAILWAYS CORPORATION

STORES DEPARTMENT

NOTICE

Contract Nos. 5350 SUPPLY OF ONE HEAVY-DUTY GRINDING MACHINE

5351 SUPPLY OF ONE SHAPING MACHINE

5352 SUPPLY OF ONE ULTRASONIC FLAW DETECTOR

5353 SUPPLY OF TWO ARC WELDING SETS

5354 SUPPLY OF TWO DRILLING MACHINES

5355 SUPPLY OF TWO CENTRE LATHES

Sudan Railways Corporation invites for the above tenders which are financed by the World Bank.

Documents can be obtained from the office of Sudan Government Purchasing Agent of 3-5, CLEVELAND ROW, ST. JAMES'S, after payment of £2.00 per set for the first four contracts and £3.00 per set for the last two contracts.

The closing dates affixed for acceptance at ATBARA—SUDAN are:— 15th July 1982 for contracts 5350 & 5351, 17th July 1982 for contracts 5352 & 5353, 18th July 1982 for contracts 5254 and 5255.

OFFICE OF CONTROLLER OF STORES

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NOTICE OF SHAREHOLDERS' MEETING

NOTICE IS HEREBY GIVEN to the shareholders that they are to convene on Friday, June 25, 1982, at 10.30 a.m. for an Ordinary General Meeting to be held at Tour Olivier de Serres, 78 rue Olivier de Serres, 75015 Paris, to discuss the following agenda: ...

BOARD OF DIRECTORS

PUBLIC NOTICES

GLASGOW DISTRICT COUNCIL Bills issued 2nd June 1982 ... Total applications ... Bills outstanding ...

HERTFORDSHIRE C.C. BILLS ...

DUDLEY METROPOLITAN BOROUGH £4.1m Bills from 3rd June 1982 to 2nd September 1982 at 12¼%. Applications £23.7m. £4.1m outstanding.

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THE ARTS

Prokrustes/Almeida Festival

David Murray

Prokrustes, or The Laws of Hospitality, is a chamber opera by the young Swiss composer-pianist Jean-Jaques Dünki, commissioned by Paul Sacher and premiered on Thursday at the Almeida Festival. Obviously violence is the theme of the piece: Prokrustes was the legendary Attic brute who fitted his guests to his bed by lopping or stretching them as required. Not much has been done to expand the theme into a dramatic action — just enough to give nine singers something to do, and (presumably) the audience something to think about. The thinking-out process might profitably have gone further before the opera reached its final form; as it stands, one needs to buttonhole the composer to discover what he may have had in mind.

The expected murders, not very harrowingly staged by Pierre Audi, give three benighted guests chances for effective little swan-songs, and Prokrustes himself is at last despatched by a feline lady with whom he has just made love on the fatal bed. In between, his talents are solicited by two ambassadors seeking, respectively, a tax-collector and a prison interrogator: I think this was meant to be contemporary irony. For good measure two passing shepherds are done in without mattress-testing, and there is some irritable byplay with Prokrustes's two servants. These latter were the seductive Jenny Miller and Graham Titus, whose incisively grim performance generated the principal *frissons*.

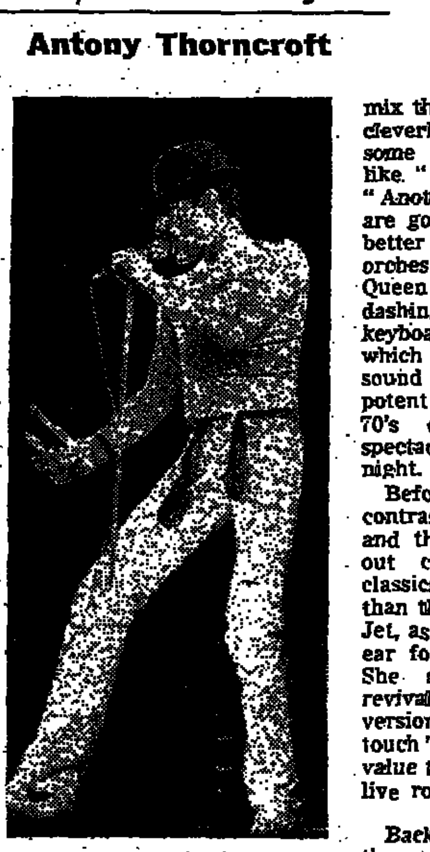
Donald Bell, the Prokrustes, looks more like Lon Chaney Jr year by year, which was a natural advantage. Justin Lavender and David Wilson-Johnson doubled expertly as victims and ambassadors; other roles were securely taken by Malmfrid Sand, Tay Cheng-Jim, Christine Page and the young Simon Jones.

Dünki's music, eclectic and bitty, generally made its theatrical points, but never fixed a consistent tone—not even of moral disapproval; the orchestral players seemed to enjoy their numerous cadanzas, and the vocal roles sat well on the voices. Whether Dünki's gifts would sustain a more ambitious project remains an open question. Jan Latham-Koenig conducted with evident sympathy.

New Chamber opera dull despite the horrors of its plot

Queen/Milton Keynes

Antony Thorncroft



Freddie Mercury in action at Milton Keynes

Mammoth open air pop concerts were a phenomenon of the 1970s. They probably declined when the audience realised that usually it could see little of the artists and hear even less. But when such concerts worked the atmosphere was similar, if secular, to a Papal Mass at Wembley.

The Milton Keynes Bowl, a grassy arena, well banked and sited somewhere within that mystery of a town, proved the ideal backdrop for a very pleasant concert on Saturday. There were enough people to keep the promoters sane but not too many for comfort. The weather was ideal, the facilities functioned, and if the audience lacked the outrageousness of a decade ago it was good humoured. And to top the bill, to set the sun and bring on the lights, there was Queen, the kind of long-running showbiz bandwagon which might have been created for such grand occasions.

The pretentious parts of Queen, best illustrated in songs like "Bohemian Rhapsody," a triumph of packaging over content, come into their own when performed on a vast stage with high catwalks, plenty of scaffolding to clamber over, and a lighting and sound system so complex and competent that more technicians are employed to control it than a NASA moon shot (almost).

It is the perfect setting for the grand gesture, the powerful posture, and Queen's singer Freddie Mercury did not fluff his opportunity. Looking like an army drill sargent in a white outfit which, like Diana Ross earlier in the week, he steadily stripped off (he actually topped her by going top-less) Mercury stretched and sprinted, climbed and clung, all over the place, singing miraculously in tune and supported by a band which can afford the best sound system going and gets it.

Mercury does not bother much with chat but communicates through a little sexual innuendo and a lot of hard work. Queen mix the new songs with the old cleverly and although I find some acheingly boring others, like "Fat bottomed girls" and "Another one bites the dust," are good pop songs made even better by Queen's polished orchestrations. In Brian May Queen has a competent and dashing guitarist and, helped by keyboards and tapes, the sound which has sold 40m records, a sound which blends, at its best, potent 60's pop riffs with crafty 70's electronics, gently but spectacularly brought on the night.

Before Queen, and in nice contrast, appeared Joan Jet and the Blackhearts who blast out cover versions of rock classics. The band was better than the sound system and Joan Jet, as an American, has a good ear for old British pop songs. She gave the Gary Glitter revival a big boost with her version of "Do you want to touch" and all in all was better value than her hit record "Long live rock and roll" suggested.

*

Back in London this week there are a succession of concerts of unusual interest. On Monday the lugubrious Nico, an Andy Warhol creation, appears at the Venue, and Willie Nelson, the respectable face of country music, at Hammersmith Odeon. He carries on through Tuesday when he competes with Kid Creole and the Coconuts, purveyors of chic funk, at the Lyceum and Marianne Faithfull, a contemporary Nico?, at the Dominion. On Wednesday Tom Verlaine, who with Television produced some class songs, is at the Venue.

Pelléas et Mélisande/Covent Garden

Max Loppert

At last Thursday's *Pelléas*, third of the current Royal Opera run, the curtain rose promptly, and the house lights stayed under control for the full length of the evening—unlike at the first night, no mechanical failures arose to mar what was therefore a performance of high distinction, conducted with a masterly blend of tact and vigilance by Silvio Varviso (though first oboe falterings sometimes blurred the textures) and cast in its three leading roles, at a strength hardly to be imagined surpassed *Pelléas*-lovers, and even those other mortals who think they find the opera entirely resistible, should be pressed to visit one of the three remaining performances.

The way Gabriel Bacquier, Anne Howells, and Thomas Allen drew and extended the lines of dramatic development engendered a kind of fine-grained singing-acting ensemble that is normally to be had only in small-house opera performances: how marvellous to be permitted to feel, during the unfolding of any opera but *especially of this one*, that it is not a Producer's Concept that is being drummed into the audience, but a drama of character resonating with subtly varied intensity through the house. Miss Howells's Mélisande and Mr. Allen's Pelléas, played together already quite often at Covent Garden, achieve in their scenes together a glancing lightness of response that flicks beams of illumination from text to music and back again.

The greatest strength of Bacquier's magnificent Golaud (much more *sung*, last night, and less shouted) is its control of and then outburst of violence; he cuts through the webs of delicate suggestiveness woven by the other performers with terrifying directness. What is distinctive about this revival is its marriage of just acting with generous singing—no precious toying with the phrases, but a delivery to underline how much sheer opera there is to find in Debussy's vocal writing. A final bouquet for Miss Howells—last night, with voice in close focus and presence piercingly poetic at every moment, she was spell-binding.

Architecture

Colin Amery

Drawing the line

There is a lot of interest at the moment in architectural drawing. Publishers and the salerooms are developing the public's eye and any visitor to the architectural schools, particularly the Architectural Association in London, will find that the fine rendering is as important today as the perfect architectural model was in the 1960s.

In his recent book, and in his lecture last week at the Royal Institute of British Architects, architectural historian Gavin Stamp drew attention to the great perspective artists of the 19th and early 20th century. In their forthcoming sale of architectural drawings and watercolours Sotheby's (Thursday, June 10 at 2.30 pm) has assembled a remarkable collection of works that date from 1750 to 1980.

To consider the perspectivists first, Stamp's book (*The Great Perspectivists*, by Gavin Stamp, RIBA Drawings Series, Trefoil Books, £11.95) has a mission. He sees the artist's impression as a bridge between the architect and the often uncomprehending public. In his lecture he was critical of the present-day presentation of architecture — a process of models and axonometric drawings that can fox as much as they can enlighten the client and the public.

At a time when there are more and more competitions in the air, the presentation of buildings to the unsuspecting public has become increasingly important.

The writer and architect Goodhart-Rendel has given the best description of the perspective drawing. "Having unrivalled powers of truth-telling it can also magnificently lie. It is the honest architect's most candid and inconvenient friend: it is the dishonest architect's most artful and convenient confederate."

It is impossible to ignore the charms of the grand perspective and it is important to distinguish exactly what it is that it is intended to show. The main object is to depict a building that does not yet exist. By drawing from one viewpoint according to the established conventions of linear perspective it is possible for an artist to give an exact impression of the proposed building from the plans, sections and elevations.

The result is often less prosaic and is coloured, embellished or presented in a way that is designed to sell the idea of the new building to the client.

In his book Stamp gives a quick run through the history of the art from the earliest perspective sketches of John Thorpe to the elaborate and glorious flowering of the Edwardian artists and engravers. It is important to remember that the Classically educated clients in the 18th century did not need the convention of perspective because they were able to understand the clear formula of plans and elevations with black windows and simple details.

It was Piranesi who brought about the most dramatic changes in the presentation of architecture—for the first time in the 1750s and the endless editions that were then published, he introduced the element of the sublime and the terrifying. Robert Adam followed the Piranesian conventions in his impressions of the Roman ruins and added elements of pure fantasy to the *reconstructions of Rome*.

The 19th century was the heyday for competitions and architects submitted glamorous and seductive drawings for an enormous range of public buildings. There were 97 designs submitted for the 1835 competition for the Palace of Westminster and during the building boom year of 1857 there were more than 60 competitions.

It is clear that Gavin Stamp has favourites among the artists with a strong preference for the works of William Walcot who is described as the "greatest British architectural draughtsman of the 20th century."

Kenneth Clark would not agree; he recently described Muirhead Bone as the finest architectural artists since Piranesi. The book bears out these flattering claims by the sheer visual pleasure of its pages. It also demonstrates the riches of the collection of the RIBA, which has in 21 Portman Square, London, one of the best collections of architectural drawings in the world.

Collecting architectural drawings is now a serious business for the private collector with both Christie's and Sotheby's having special advisers in the field and regular sales. On Thursday afternoon 193 lots come under the hammer at Sotheby's and it would be an idle collector indeed who did not make the journey to Bond Street.

There is a chance to buy a Robert Adam pen and ink and wash drawing of 1789 of the North East Front of Findlater Castle in Scotland, in an intriguing castellated style. There is a simple and pleasing design by Adam for a fire place and a small watercolour of a rustic lodge.

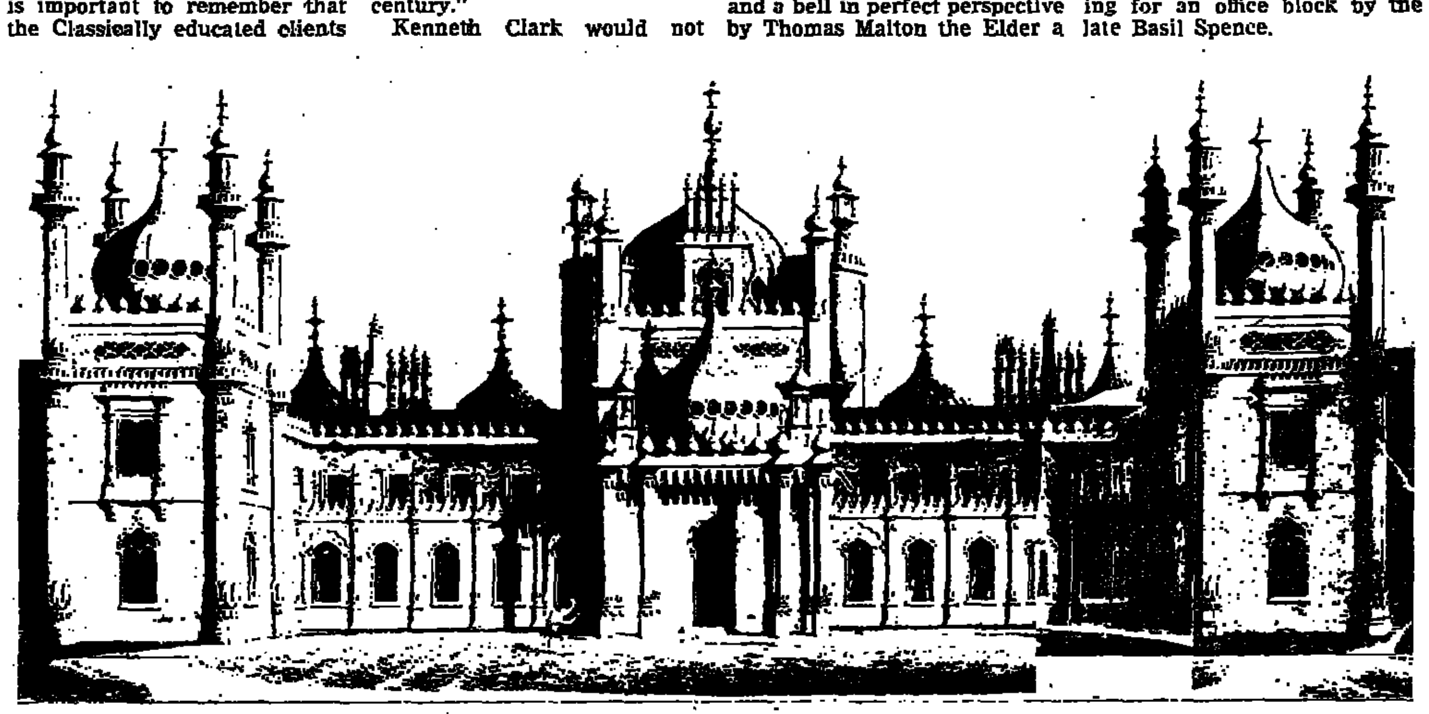
To parallel the interest in the art of perspective there is an important study for methods of drawing tables, barrels, urns and a bell in perfect perspective by Thomas Malton the Elder a teacher of the art. The sale looks strong on neo-classical drawings, with some projects commissioned by Napoleon and some fantasy palaces by Gustav Heisch. There are several drawings in the sale that could more accurately be described as topographical, many of the more charming ones being early 19th century watercolours by talented amateurs.

The most interesting and important watercolours are the two views of Brighton Pavilion by A. C. Pugin and the single view of the north façade by Charles Moore. These were commissioned by George IV from John Nash to commemorate the re-modelling of the buildings, and are part of the set of 42 known views. They show how civilised George IV was with his insistence on the inclusion of the original Pavilion by Henry Holland in the series.

There are curiosities in this sale: a watercolour of the throne of Queen Hat-Shepsa by Howard Carter the discoverer of the tomb of Tutankhamun and a recent drawing for the extension of Fort Belvedere at Windsor Great Park for the Duke of Windsor when he was King.

Architectural drawings fulfil their dual purpose—art and social history—as well as being good investments for the collector. It is even possible to buy a signed competition drawing for an office block by the late Basil Spence.

Architectural drawings are highlighted in an important sale at Sotheby's on Thursday: this fine watercolour by Augustus Charles de Pugin is one of three views of the Royal Pavilion at Brighton included in the sale. Estimates range from £40 to £5,000, making it possible for the private buyer to break into a market that has been for too long dominated by specialist institutional collectors. The sale is June 10 at 2.30 pm.



Rattle/Festival Hall

David Murray

Simon Rattle conducted the London Choral Society on Friday, supported by the Philharmonia, in Stravinsky's *Symphony of Psalms*, and the surviving torso of Mozart's Mass in C minor. Stravinsky came first; the strength and alertness of the choir — younger on average than most such bodies in London — made themselves felt at once in the opening movement, taken at a rattling speed. An aspect of that music —the sense of humble pleading, however fervent — was sacrificed, certainly, but the uptempo drama was cogent enough. Over the forceful choral demands, the woodwind-and-piano garlands took on an electrical crackle, and the temperate fuguing of the second movement came as a measured response.

To the third and longest movement Rattle brought the expected physical excitement (the "Elijah's chariot" passages went at a fine gallop), but he braked punctiliously for the *great coda and so concluded in* a state of grace. The chant was beautifully sustained, though the wonderful lift of the tenor line to high A-flat went unnoticed: surely that isn't what Stravinsky's "non cresc" was meant to mean? Ideally, the choral descant of the woodwinds is more magical when smoother, too—but smoothness is probably not a virtue that Rattle prizes highly. There was enough muscular intelligence in this performance to make its own points.

Rattle's reading of the Mozart Mass was comparably tough-minded, which is not to *say stiff* or insensitive. The main dramatic blocks were sharply cut, and he secured *orchestral balance of notable* refinement. The leading soloist Margaret Marshall was joined at short notice by Felicity Lott (who was awarded the "*Laudamus te*," leaving the "*Christe eleison*" and "*Et incarnatus*" to Miss Marshall), both in meltingly lovely voice. They supplied a sensuous element that was needed in this tender and uxorious score (designed for the soprano who *was Mozart's wife*) and were so delectably matched in the "Domine Deus"

A Dybbuck for Two People/Almeida Theatre

Rosalind Carne

A "dybbuck" is a lost soul, hovering between heaven and earth. In the old Jewish legend that provides the basis for this play, Hanon, a student of religion, becomes entranced by the mysteries of the Cabal, that esoteric strain in Judaism which dwells on the mystic power of number. Experts may understand the deeper implications of his frantic computations, though it is not hard to find analogies with the Christian tradition, notably in Faust.

The first stage version, *The Dybbuck*, by Chalom Anski, appeared in 1917, drawing on *the folklore of the Hassidim in* his native Russia. This has been adapted and directed by Bruce Myers as a modern two-hander, Myers himself darting with consumate skill between student, rabbi, grandmother and others among the original 30 strong cast. The result is a bizarre mixture of social history, comedy, sentiment and spirituality, which offers more food for contemplation in theory than it *does on stage*. It *stands* as theatrical centrepiece in the current, stylistically innovative, *Almeida Festival*.

Action commences, appropriately, on Friday night, as the wife ladles chicken soup, and husband applauds her skills and beauty. Story-telling follows the meal and the pair become actors in their own tale the woman taking the part of Leah, a young girl, hopelessly in love with the hapless Hanon. She is betrothed to another and the drama reaches its high pitch when, at her wedding, she becomes possessed by the "dybbuck" of the dead Hanon. Myers launches into a comic tour-de-force as the girl's father, speechifying to family and friends while Leah prepares to wed the man of his, not her, choice. Every facial twitch, the slightest gestures carries the force of an overwhelming personality. But the amusement and admiration she evokes throughout fail to create a convincing dramatic whole. Despite a strong desire to be moved and a moderate level of interest in the subject matter, I remained intellectually, emotionally and spiritually untouched.

Josianne Stoleru plays the woman, a last minute substitute following the withdrawal, for personal reasons, of Miriam Goldschmidt. She was patently ill at ease, for though she had this was the first time she had performed the play in English. Her delivery was frequently inaudible, and she required constant prompting from her untiring co-performer.

Pimm's Press Award in RA Summer Exhibition

Her Folding Screen by Audrey Simpson is the unusual exhibit which has won the £500 Pimm's Press Award in this year's Royal Academy Summer Exhibition.

For several years Pimm's have provided drinks on the exhibition Press Day and since 1980 have also donated a prize for the artist whose work receives the maximum number of points awarded by the critics and journalists attending the Press view. The winning screen received 88 points from the members of the Press.

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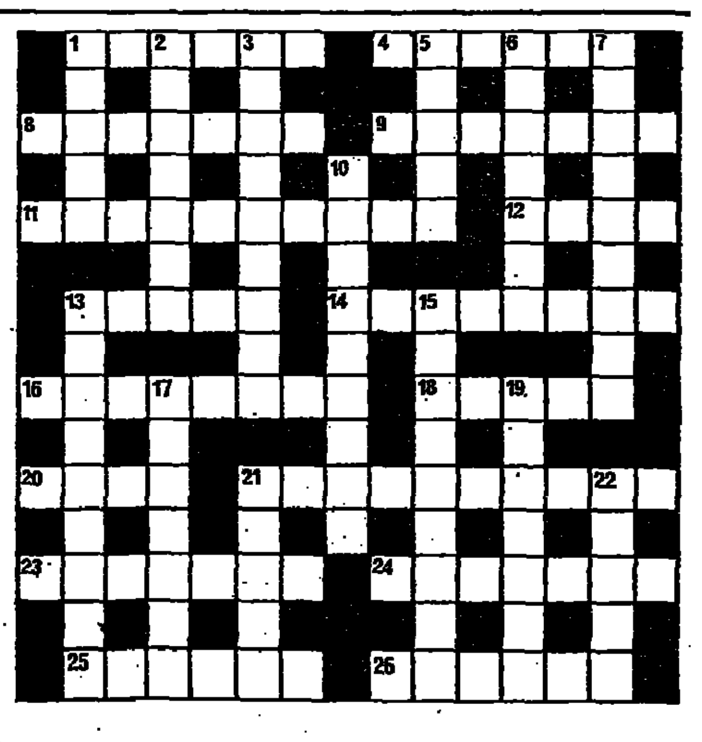


ACROSS

1 Corrupt junior officer takes nothing to the navy (6)
4 Put an end to drink (8)
8 Quickstep sounds like mine with a gentle beat (7)
9 In this way a combine is on the wing (7)
11 Way novelist comes to flower in North America. (2, 8)
12 Relax command when relieved (4)
13 Shortly include direction to pass out (5)
14 Private corruption nonsense (5, 3)
16 Intent warning, perhaps, for clannish type (8)
18 Got up by new-fangled siren (5)
20 Have inclination to go spare (4)
21 Fair success in examination in critical position (6, 4)
23 A Roman Catholic in trial body (7)
24 Butler in picket—an improving story (7)
25 Go to road junction with composer (6)
26 A great many are not related (6)

DOWN

1 He satirised the fleet (5)
2 Female supporter opposed to a party making bold show (7)
3 Put in fresh order for stove at back (9)
5 Mean to stop (5)
6 Work of machine or painter? (7)
7 Worker's defeated easily (5, 4)
10 Batting played for time when put in (9)
13 Not required to break up replacement (5, 4)
15 Writer to notice a sort of square wagon (4, 5)
17 Criticise expert with a cure (7)
19 Bribe artist to vote against singer (7)
21 Stick to former note (5)
22 Note on instinct that's worthy of credit (5)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY

Telegrams: Finantimo, London PS4. Telex: 8954871

Telephone: 01-248 8000

Monday June 7 1982

The need to be reasonable

THE DEBACLE over Friday night's resolution in the United Nations Security Council on the Falkland Islands crisis is not in itself a tragedy. But it is a serious warning that Britain is already risking the alienation of international opinion by appearing to pursue a policy towards the islands which in the short run is too exclusively military, and which in the longer run seems to rule out many of the options which might be internationally acceptable and politically negotiable.

Lesson

The resolution, calling for a ceasefire, was in the event vetoed by Britain and the U.S. But the British Government would be well-advised to take note of the fact that Japan voted for the resolution—had it not done so, the minimum quorum would have been lacking, and no veto required; and that after the voting was over the U.S. announced that it had had second thoughts, and would have preferred to abstain, if last-minute changes in instructions had been received in time. The lesson to be drawn is not that the British Government was wrong to use its veto—there are valid objections to be laid against the resolution as worded, as even the Americans continued to concede after the vote had been taken—but that if it is opposed by one of the major industrialised countries, and if it is beginning to see an apparent weakening in American support, the explanation almost certainly lies less in the words of the resolution itself than in the tone of recent British Government pronouncements.

Danger

Given the inflexibility of the Argentine junta, and its stubborn refusal to comply with the initial UN resolution 502, which called on them to withdraw from the Falkland Islands, there was always a danger that the UK would find itself obliged to drive them off by military force. But military action by itself leads in totally the wrong direction unless it is coupled with reasonable long-term diplomatic and political aims. Since Britain has no conceivable interest in perpetuating a state of hostility with the Argentine, these long-term diplomatic and political aims must at the very least hold out the possibility that account can be taken of Argentine aspirations, as well as of the views and interests of the Falkland Islanders themselves.

These principles of political reasonableness were fully reflected in the draft agreement which the British Government published on May 20 and which it said it would have been prepared to accept if the Argentines had not rejected it. Since then the British Government has withdrawn its negotiating offer and, according to the latest public statements, has increasingly appeared to espouse positions which would exclude any concessions to Argentina. The most extreme expression of this hardening British line came yesterday from Mr Cecil Parkinson, chairman of the Conservative Party and a member of the War Cabinet, when he said that the British Government could not consider any deal "which diminished our sovereignty in any way" and implied that it would not concede to Argentina "any place in the future of those islands."

Casualties

This is entirely the wrong approach and, if it is adhered to, it will have a number of seriously counter-productive consequences. In the first place, it gives Argentina no incentive for a voluntary withdrawal of its troops from the islands and thus maximises the probability that there will be heavy casualties on both sides which might yet, even at this late stage, have been avoided. Secondly, by narrowly excluding any option which might take account of Argentine aspirations, in advance of any negotiations, or of any consultation with the Falklanders on the islands, the Government is alienating international opinion. Thirdly, by apparently limiting itself to the military option, and by alienating international opinion, it is maximising the probability that what it gains by force it will have to keep by force.

The Task Force was sent out two months ago in the defence of principles which much of the civilised world could endorse. It is not too late for Mrs Thatcher to reassert those principles.

Another kind of summit

AFTER the glitter of Versailles another kind of summit meeting will gather on Tuesday when the Prime Ministers of the 10 Comecon countries assemble in Hungary.

As in the case of the western gathering, the Comecon leaders will have to wrestle with increasing economic troubles. No doubt, some sharp words will also be spoken. But there the similarity ends. Outwardly, the show of fraternal unity is sure to be preserved and little materially significant information is likely to filter out.

The problems confronting the Comecon and its members, none the less, are well known. Internally, trade relations between the senior member, the Soviet Union, and its eastern European neighbours are undergoing structural stresses. Externally, the burden of western debt is weighing upon the Comecon states, and the threat of western embargoes or partial embargoes must be ever present in the minds of Communist planners.

Hegemony

It is the smaller members of Comecon who have felt the brunt of the pressures. Last year, their terms of trade against the Soviet Union deteriorated by about 7 per cent; the trend has continued in 1982. That is both a reflection of Soviet hegemony and a function of trade patterns.

In intra-Comecon trade, the smaller industrialised members are largely exporters of manufactures; the Soviet Union provides energy, and above all oil. And whereas the price of Russian oil delivered within Comecon has been allowed to edge up towards the world price, prices of manufactures traded within the system have risen more slowly.

A disgruntled East European has likened the pattern of Comecon, including as it does the disproportionate economic and political weight of the Soviet Union, to that of a European Community suddenly saddled with U.S. membership. In practice the lopsidedness is even greater. As the chief source of Comecon's oil and gas, the Soviet Union plays an Opec-like role to the other members, even though it has partly cushioned the effect of higher oil prices.

Criticism from within Comecon has not stopped at the matter of pricing and the terms of trade. Mr Marian Krzak, the Polish Finance Minister, has been calling for something that many eastern European economists have vainly advocated for a long time: that Comecon enterprises should be allowed to acquire and spend the currencies of other Comecon countries.

Taken to its logical conclusion that means by-passing bureaucracy and increased freedom from the straitjacket of administered prices. It would be a step towards tackling the notorious inefficiency of Comecon industry. But for it to be taken, profound political objections would have to be swept aside. The fact that the Comecon leaders will be meeting in Hungary might provide them with an object lesson of how a socialist market economy can work, but not many of them are likely to take to it eagerly.

Yet with economic stagnation staring them in the face and the virtual drying up of western credit after the Polish debacle, Comecon leaders must look for a way out of the economic cul-de-sac. The largely western-financed dash for industrial growth has slowed to a crawl or even stopped, not least because the West itself is in trouble.

Repression

The usual answer of Communist regimes has been to try to solve problems of this kind on the backs of the people as consumers. Poland can be cited as an example of the inherent dangers; but Polish events can also be read in another way. Popular ferment ended in military government and repression—as in every previous instance when a Comecon country got out of hand.

That holds a lesson for the West. Prudence demands the most cautious vetting of any requests for further credit to Comecon, be it financial, be it linked to exports. Western countries, however hungry their industries may be for export orders, must not allow themselves to be played off against each other.

Beyond the needs of prudence there lies the political argument that the Soviet block is in such a mess that a refusal to do business with it will substantially weaken the regimes. That argument is dubious. The case for maintaining the embargo on goods of immediate strategic importance is unanswerable. But a more severe clamp down would hit not so much the regimes of the Comecon countries as their inhabitants.

EAST-WEST TRADE

The rise and rise of barter

By David Buchan

COUNTERTRADE has increased, is increasing, and, in the view of many businessmen and some governments in the industrialised West, ought to be diminished. But it looks as if they are fighting a losing battle.

The same dearth of hard currency and credit which have led the Communist bloc to insist on countertrade is driving many other countries in the same direction—ranging from poor Third World countries like Kenya and Columbia, to relatively poor West European countries like Portugal, and to cash-strapped oil producers like Indonesia, Nigeria and Iran.

No country can be confident that it is immune from the effects of countertrade, which is fraught with complexities and the unexpected. A classic case was the sale of a Control Data computer to Moscow. The U.S. company was paid in a variety of paper products, including Russian-made Christmas cards. A howl of protest went up from surprised UK card manufacturers when the Russian cards turned up sometime later on the British market.

The overall magnitude of countertrade is very hard to pin down. It is a traditionally shadowy area in which deals are often done under the table and and pass through more than one agent, and in East-West trade at least no Comecon country likes to advertise the fact that the only way it can offload its goods is in countertrade. Nor does any Western company like to acknowledge that it has been forced to accept countertrade in return for its exports.

But a recent study by the Organisation of Economic Co-operation and Development puts the current level of countertrade at around 15 per cent of Western exports to Comecon. The U.S. Commerce Department reckons that countertrade will amount to 10-20 per cent of total world trade in the 1980s.

Those guardians of the multilateral trading system at the OECD, GATT and the International Monetary Fund see in this growth of "bilateralism" in essence barter, a real danger to the post-war system and the possibility of a return to a 1930s-style breakdown.

It is not necessary to be as apocalyptic as that to see the perils and pitfalls. Sensible countertrade, of the longer-run variety that often goes under the names of industrial co-operation or buy back, can suit all round.

But all too often everyone loses out: a Western company deliberately overprices its exports to pay for the subsidy it must use to dump shoddy goods forced on it in countertrade. The Comecon or Third World country has been overcharged, and the Western company finds itself saddled with unwanted goods. The only winner may be a middleman in, say, Vienna or London who, with quick footwork, can make a fat profit for getting rid of countertrade goods.

The truth is that countertrade has become just another element in export competition, in addition to price, quality, delivery. Those companies most willing to accommodate countertrade demands are most likely to get business.

The East-West trade figures show this clearly. West German companies, like Hoechst, Bayer, Mannesmann which have proved the most flexible on countertrade, are streets ahead, while the British and, for that matter, Americans who tend to throw up their hands in horror when countertrade is mentioned, lag far behind in Comecon markets.

But it is in the Communist bloc that countertrade has taken deepest root and so far presented the biggest problems. And it is where most of the world's top countertraders have cut their teeth.

Barter, the exchange of one type of product for another, has always been the characteristic feature of intra-Comecon trade. It is hardly surprising that, denied western credit and drained of hard currency to service old debt, Comecon countries should now be vigorously extending this "bilateralism" to trade with the West. "Countertrade is their last resort, after money fails," observes one London specialist in East European trade.

Romania is the most adamant countertrader in Comecon. By a 1980 law it theoretically demands that a Western company buy Romanian goods of 100 per cent of the value of whatever it sells to Romania, on each and every transaction. In practice, this can be modified slightly.

Very broadly, other Comecon countries can be put in the following descending order of stringency with which they demand countertrade: Bulgaria, East Germany, Czechoslovakia, Poland, Hungary, and the Soviet Union.

Traditionally, the Soviet Union and Poland have focused their countertrade on big industrial buy-back deals whereby Western companies sell energy, chemical-mining capital equipment and get paid back in the resulting oil, gas, chemicals, copper and so on. Such deals are by no means trouble free. Western companies can find themselves buying back the end product at the wrong time for their own markets. But these arrangements are usually less problematic than the far more frequent one-off deals in which a Western company has to counter-purchase a product quite unrelated to its normal line of business.

For obvious reasons, Poland has recently had to go back to basic barter, while even the Soviet Union is demanding a slightly higher percentage of counter-purchases. For instance, John Brown and GEC of the UK are being required to buy Soviet industrial goods of 10 per cent of the value of the equipment they are supplying for the Siberian gas pipeline.

A measure of the rise in Comecon countertrade is that Hungary, until recently the only East European country to frown publicly on one-off counter-purchases of unrelated goods, is now demanding precisely that from some Western companies.

The level of countertrade varies not only from one Comecon country to another but also from one Western export to another. If certain Western goods are considered absolutely vital —U.S. grain for the Soviet Union for instance—no countertrade will be demanded.

But a whole range of other Western exports, particularly if they are considered consumer or luxury goods or if there is insufficient hard currency allocated in the Comecon's five year plan to pay for them, will now attract countertrade demands.

Once hit with a countertrade demand, a Western company is interested in the widest possible choice of goods from which to draw the most marketable counter-purchases. Equally, the Comecon country is interested in restricting this choice to those goods which it cannot offload in direct trade. In this way, of course, Comecon countries force Western companies to do their marketing for them.

Few countertrade deals are any longer of the jet-for-jam variety (or Viscount aircraft for Polish hams, as happened in the early 1960s). It might be better if they were. Hooked on the philosophy of comprehensive industrialisation — as indeed are many Third World countries—Comecon is trying to offload more and more of its machinery and machine tool overproduction onto world markets. The exception is the Soviet Union with its vast and still unfilled industrial needs at home.

Lucky is the company which has a natural need for East European products. Cadbury Schweppes, for instance, buys agricultural produce in Bulgaria and ICI buys chemical intermediates from Romania, and both companies say they would be doing this, countertrade demands or not. Rank Xerox, on the other hand, is one of a much larger category that needs little from behind the Iron Curtain. Rank Xerox buys some lenses from Poland and electric motors from the Soviet Union for its copiers, but these amount to less than 1 per cent of the value of its Comecon sales.

To get rid of unrelated counterpurchases, a number of the bigger British companies have followed continental Europe's lead and set up their own countertrade departments. Typically, they comprise 5-6 people, with East European contacts and languages at their finger and tongue tips. The tricky job of these people and those in the specialist countertrade houses in Vienna, Munich, Paris, London is to get the best Comecon goods and sell them — preferably as far afield as possible.

Romania demonstrates more clearly than any other country the pitfalls in countertrade that await the unwary. It has built up a wide machinery sector, ranging from machinery to tractors to transport equipment, which it is trying to sell abroad by countertrade. Partly because of poor quality, but mainly because of what one countertrader who specialises in Romanian goods describes as "virtually non-existent" after sales service, these goods can only be sold at up to a 25 per cent discount.

The Romanians must know this, but will not admit it publicly, as British Aerospace has found to its cost. Indeed, BAe is too embarrassed to talk itself about the countertrade terms of its 1979 multi-million pound deal to assemble BAC 1-11 aircraft in Romania. That agreement required BAe to put hard currency into a special account to subsidise the export price of its Romanian counterpurchases.

Two Romanian officials along with two BAe executives have the power to decide what counter-purchases should be subsidised out of the account. The Romanians have refused to allow any subsidies to be paid out so far, thus stymying the countertrade, to considerable bitterness on both sides.

BAe was very anxious to sew up that deal which took years to negotiate. Once it came to finding an engine to power the BAC 1-11 airframe, the Romanians could less afford to finagle and they gave Rolls Royce more generous terms. These merely require RR to make its "best endeavours" to counterpurchase up to 50 per cent of the value of the aero engine contract over a more flexible period of time than that given BAe.

In the face of deals like this, Britain's policy is to hear no evil and speak no evil of countertrade, or, as Department of Trade officials put it, "we neither encourage nor discourage it." In practice this means the ECGD allows no mention of countertrade in its financing agreements.

Despite, or perhaps because of, this bland policy of official indifference, countertrade is clearly growing, and more people are trying to get in on the act. "If you can't fight countertrade feature it," Mr David Nevill of Cadbury Schweppes advises fellow British businessmen. Mr Malcolm Williams of Kleinwort Benson believes that countertrade has now become an essential service for banks to offer their clients.

Massey-Ferguson, too, believes countertrade is the wave of the future. A month ago, it set up a new "trade and barter" division. The aim of all these institutions is to put skills, hard learned in Eastern Europe, to profitable use in the rest of the world.

COUNTERTRADE: HOW IT WORKS

BARTER — the simple exchange of goods — is much more sophisticated these days.

COUNTERPURCHASE is its most common form. Countries buy Western goods at a commercial price for hard currency. But simultaneously the Western company agrees to buy local goods of up to 100 per cent of the value of its own sale.

BUY BACK agreements are another variation: a Western exporter (usually of large-scale capital plant) commits itself to buy back—or get paid in goods produced with his machinery.

SWITCH deals are an ingenious somewhat bastardised form of countertrade. They take advantage of the non-convertible currency surpluses that Comecon countries accumulate with each other or with many Third World countries in bilateral "clearing" arrangements. Western traders buy these surpluses at a hefty discount and use them to switch goods on to the world market.

Few countertrade deals are now of the jets-for-jam variety. It might be better if they were

Men & Matters

Pym's number

Summits are trying and tiring affairs for all concerned. But Foreign Secretary Francis Pym must have wondered whether he was going to survive the first 24 hours at Versailles.

Anxious late on Friday afternoon to bring news to waiting reporters of the "staunch support" President Reagan was giving Margaret Thatcher, Pym found the gates to the Orangerie Press centre locked.

He and his officials fumed impotently without as two rather insouciant French policemen explained that the key had been taken away by a security guard who had been called to an urgent conference.

Not even a combative Churchillian pose by Pym—set jaw, eyes slightly bulging—could overcome the strength of the policemen's case that locked gates need keys to open them. So a sweaty and irritated Foreign Secretary climbed back in his car to drive a circuitous three-quarters of a mile to another entrance.

Yet more troubles lay ahead. Just when his thoughts must have been turning to bed, Pym had to take a midnight telephone call from U.S. Secretary of State, Alexander Haig, who told him that the U.S. would be abstaining on the UN resolution calling for a Falklands ceasefire instead of vetoing it as the British had expected.

Just as Pym was getting into his pyjamas after one o'clock in the morning, Haig came on the line again to say that the American veto had been used because new instructions had failed to reach UN Ambassador Kirkpatrick in time.

Then, as the Foreign Secretary was counting sheep at 2 am, the phone rang again. This time it was the Japanese Foreign Minister to explain why Japan had voted for the UN resolution which Britain had vetoed.

It is not known whether Pym finally managed to ge his head down—or merely decided that he might as well make an early start to Saturday.

Two's company

Politics makes odd bedfellows. Who would have thought the conservative Ronald Reagan and the socialist Francois Mitterrand would have much in common? But officials vow that for all their differences over how to run an economy or over East-West trade, the two men get on remarkably well.

One explanation is that both arrived in power late in life and clearly enjoy it. Both, too, have a taste for the theatre of politics.

And in spite of having four communists in his government, Mitterrand is staunchly anti-communist. He learned to treat them with suspicion while co-operating with them in the hard shcool of opposition. In government, he believes, he has them by the ears.

Sherpa Attali

The French "Sherpa" who prepared the way to this Summit was Jacques Attali, President Mitterrand's counsellor for economic affairs.

It was Attali who presided over the preliminary gatherings of officials who picked the route for the heads of government to follow—avoiding a dangerously rocky stretch here or an icy patch there—and later ensured the party was supplied with all the essentials for life at the top.

Attali was the main author of Mitterrand's opening address on technology and employment (he has written a futuristic work himself on the impact of new technology called "The Three Worlds"). He also chose the cooks. It was at the restaurant of Michel Pasquet, one of the four chefs chosen to prepare the concluding banquet, that Attali, with Mitterrand in attendance, had his wedding reception last year.

With his large glasses and irrepressible-schoolboy looks, Attali is the "philosopher king" of Mitterrand's court. Aged 38, a mathematician and graduate of France's most elite institutions, his originality and imagination caught the attention of Mitterrand while in opposition and he nok occupies an office next to the President's at the Elysée.

Attali preaches that both liberalism and Marxism have failed to provide ways of reinvigorating industrialised societies. His own answer looks to a new model of cuture and technology that also involves nationalisation and which Mitterrand finds seductive.

Attali remains a figure of controversy. Bankers and financiers in Paris have never recovered from the shock of his remarks shortly after taking office that bank profits were "obscene." Saudi Arabia protested at comments he made on Islamic punishments. And a week ago he was under fire again for not warning Mitterrand of the danger to the franc of President's unguarded words on devaluation and the European Monetary System.

Press piqued

Knowledge, they say, is power. And the Downing Street and Foreign Office officials who brief the press at the Summit seem increasingly reluctant to share either. Attendances at British briefings have steadily declined as experienced reporters tired of the regular unhelpfulness and, at times, discourtesy.

Inevitably, Britain's tight-lipped approach suffered badly in comparison with the liberal spoon-feeding available from the U.S. delegation in the Orangerie press centre. With Secretary Alexander Haig or Treasury Secretary Donald Regan making one or more personal, on-the-record appearances each day, it seemed less and less necessary to listen to the routine opening declaration from the British that "We have nothing much to impart."

Style is almost always as important as content and the often irascible and aggressive reluctance of British officials to acknowledge and explain any disagreements contrasted ill with the more open approaches available elsewhere.

"Let me not answer the question in my own time," said one Foreign Office man in a rare moment of humour. But more generally, there was a gladiatorial fondness for point-scoring. "There is no point in pressing s with the object of driving a wedge between us, you will fail," said the main from No. 10 when it was suggested that perhaps the U.S. favoured a more flexible approach than Britain to a Falklands ceasefire.

Francis Pym put in an appearance which was less a concession to the needs of the press than a desire to trumpet President Reagan's continuing support for Mrs Thatcher on the Falklands —a support later tarnished by the confusion at the UN.

If that was the high spot, the nadir came with a completely non-controversial but still non-attributable briefing from another senior minister at this gathering. "Get out," shouted the Downing Street man as reporters, whose newspapers were unreasonably excluded, tried in fain to get in.

Parallel path

Canadian Prime Minister Pierre Trudeau's fluency in French as well as longer experience in office helped him make up for some of his lack of economic clout on this occasion.

But as a Canadian official admitted, it is difficult for him to do anything but follow Reagan's economic lead. "You go up an alley bilaterally with a guy who's ten times bigger than you are or you run the risk of being hammered."

Observer

June 7 1982

FINANCIAL TIMES SURVEY

Monday June 7, 1982

Egypt has a new style of leader in President Mubarak. But eight months on from the death of Sadat, he has yet to offer a much-needed formula for tackling the country's pressing political, social and economic problems.

EGYPT

Waiting for some firm policies

BY ANTHONY McDERMOTT, Cairo Correspondent

THERE IS a growing mood in Egypt that after eight *months in power, President Hosni Mubarak could now* afford to relax the cautious and conservative approach that has characterised his *policies* so far. The time has come, it is felt, for more dash and elan, even if greater risks, particularly in the political field, are involved.

The judgment is not entirely fair. He kept cool and kept the country together during the extremely tense period after the assassination of President Sadat on October 6 when Moslem extremists, in spite of the round-up of more than 1,000 of them last September, were still on the loose and, notably, caused an uprising in the city of Asyut in Upper Egypt in which 87 people died.

This in fact, *was a tribute* to the ultimate underlying stability and political continuity *of Egypt since King Farouq's* overthrow in 1952, that two presidents, Nasser *in* September 1970 and Sadat last October, should die unexpectedly and yet the succession of their vice-president should be smooth.

Mr Mubarak made security his top priority from the start and since he succeeded Mr Sadat has arrested *2,000 Moslem* fundamentalists. The four assassins and one other plotter have been *executed without widespread* reaction. Yet there have been incidents which suggest that there cannot be complacency. New groups of religious extremists as well as Communists continue to be picked up. His empty presidential plane was shot up by a guard, apparently in protest at the executions (the guard committed suicide).

On a more socio-economic level, non-commissioned air force officers on several bases *struck in protest against* the withdrawal of certain privileges which would have hit their pockets. They were punished but the privileges were restored. Nevertheless, it was a salutary shock.

In many ways, a more important incident occurred in the Abu'l-Saud district in old Cairo. A sewage pipe broke, flooding the area with effluent. Infuriated, the residents of this *poor area cordoned off the district* for a period, burned tyres and threw stones. The point this minor incident made was that it evoked memories of the riots in Al-zawiya Al-hamra one year ago. Then several days of street fighting left at least 20 dead.

The misery of that area, with its standing water between cramped, decrepit, and crumbling popular housing of a decade or so ago, was undoubtedly exploited by Moslem *religious* extremists — but with social facilities so rundown the ground was fertile for exploitation.

Mr Mubarak has also been acting under scrutiny from abroad — in particular Israel. *Mr Menahem Begin* has been watching to see whether he would stay in power — which he has, and whether he would undermine the Camp David accords and the peace treaty as a step towards rehabilitation with the rest of the Arab world — which he has not. Indeed, Mr Mubarak has said Egypt would be happy to be back with other Arabs, but only with its peace treaty. The result was that on April 25 Israel, contrary to what many doubters believed, returned the final part of Sinai, occupied in the 1967 Middle East war.

On the new president's side has been relief at and welcome for his new *style* after that of his predecessor. The massive indifference at Mr Sadat's death *which did not mean approval of* the way it came about, and the mourning which was greater in the West than in Egypt, contained a simple lesson from the Egyptian people to their leader. Their seemingly endless patience can turn swiftly to violence and hostility if they feel neglected, as they did while Mr Sadat basked in *international* glory with the almost monarchical style of his visit to *Jerusalem and his peace treaty* with Israel.

Mr Mubarak has not hesitated on public occasions to pay tribute to these achievements of Mr Sadat, who, after all, selected him as successor and was his mentor. Indeed, he had enough leeway to refuse to visit Jerusalem, and thereby earn some standing among the more conservative Arab states.

CONTENTS

The first signs of impatience about whether there will be tangible changes in policy, or indeed definite new policies, emerged over the second priority after security: the economy. The main changes in Mr Mubarak's first and partial Cabinet reshuffle in January—*apart from appointing Dr Fuad* Mohieddin Prime Minister and giving Mr Nabawi Ismail, the Interior Minister, a new job—concerned the economic team. This, led by Mr Abdel-Fattah Ismail, former governor of the Central Bank of Egypt, has not impressed. Indeed, one month before the new fiscal year, and *after a series of conferences*, position papers and committee meetings, no real guides as to economic policy have emerged.

Indeed, the impression given is that because of political *sensitivity—for* example, the potential effects of lowering subsidies on key consumer items, the bread riots of January 1977 are always recalled—nothing impressively different from before is to emerge beyond some austerity and closer regulation of Infitah, the liberal economic "open door" policy.

This has raised inevitable questions about the future shape of Mr Mubarak's governmental team. There have been sufficient rumours about the resignations of certain key Ministers to suggest that the present *Cabinet will at some* stage be replaced by what is expected to be regarded as the real Mubarak Cabinet, rather than one with most of Sadat's nominations intact.

In addition, there is the question of the position of Vice-president (the main constitutional successor). Mr Mubarak has said that at this stage he does not feel ready to nominate one (or two).

The names most frequently mentioned are Mr Kamal Hassan Ali, the current Foreign *Minister but important for his* military links as an ex-Defence Minister; Field-Marshal (a recently acquired rank) Abdel-Halim abu Ghazala, the current Defence Minister and a close co-operator; and Dr Mustafa Khalil, a respected former Prime Minister, whose standing would provide a civilian counterpart to the military—on whose support any Egyptian government ultimately depends.

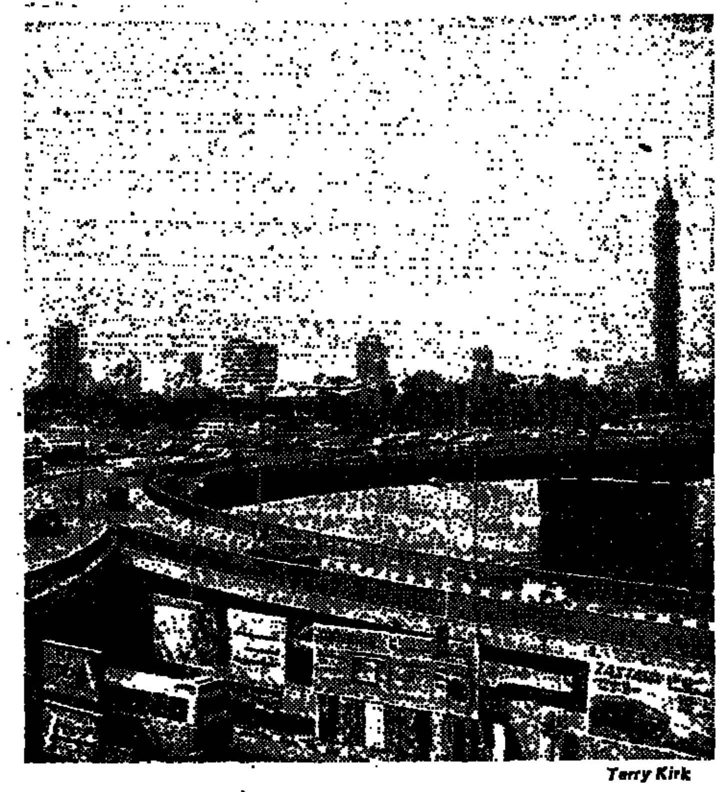
In the longer term, Mr Mubarak will have to look at the political system he has inherited, particularly the role of the dominant National *Democratic Party*, that of the People's Assembly, and above all at the pervasion of corruption into the circles of Government, party and senior advisers (among whom the *names of* some close to Mr Sadat often come up). Here already, the conviction of a *few members* of the People's *Assembly and the naming of* people in key administrative positions as involved, is beginning to be felt as not going far enough.

So far Mr Mubarak has resisted most of the trappings of being *Al-ra'is* (The Leader). He had, of course, long enough to study at close hand the *effects of the vanities of Sadat's* leadership in its latter years. Sadat's pictures, although becoming slightly tatty, remain up, and the number of Mubarak's is increasing but on a modest scale. Perhaps the established media, newspapers, radio and television, are most at fault in highlighting his *every move.*

A more fundamental question is whether Mr Mubarak, or any other Egyptian leader, would be capable of producing policies which can make real changes. The nature of Egypt's presidential system is such that most questions of policy of any weight are passed upwards to *the man at the top, leaving the* bureaucracy and Cabinet — particularly if it is headed by a prime minister reluctant to take anything but the mildest political risk — comparatively impotent. It means, too, that with a new *Ra'is* who has a different style, it is impossible to expect new policies too swiftly, hence the growing mood that the volume of words *has been building up without* that much in domestic terms to show for it.

Recently, after a period of some withdrawal apart from two rather lacklustre speeches, Mr Mubarak paid a "surprise visit" to a textile plant at Mehalla al-Kubra in the Nile Delta. It was clear from accounts and television pictures of the event that both he and the factory workers enjoyed the outing and that he *was prepared to risk public* display.

There is a certain wistful desire to see a second Nasser in Mubarak, which stems basically from a reaction to the Sadat era. *The current Ra'is* has broadly succeeded in carrying through the two main inheritances from his predecessor — the maintenence of security and the return of Sinai. But so far his brave assertion in last November's policy statement—"I will not make a promise which I cannot fulfil"—remains unchallenged because the promises and policies are still *being awaited.*



Terry Kirk

The October 6 Bridge in central Cairo recalls the 1973 war with Israel. Dominating the skyline is the Cairo Tower which provides spectacular views over the city. New flyovers have cut a swathe through the centre in an effort to relieve severe traffic congestion

BASIC STATISTICS

Area:	1,000,528 sq km
Population:	(1982) 44m
Gross National Product:	(1980) E£16.38bn
GDP per head:	(1980) E£376
Trade (1980-81):	
Exports:	$4.33bn
Imports:	$8.57bn
Inflation (1982) 25 per cent	
Currency: £ = E£1.47	

Sound base sought to rebuild economy

IN HIS FIRST major policy speech, last November, President Hosni Mubarak said: "In the era of peace, our first responsibility is to build the Egyptian economy on sound bases in order to be able to realise the ambitious aims on which we have all agreed, so that Egypt may invest her resources and enjoy the stability required for sound economic growth."

His approach to the economy and its problems was encouraging and realistic compared with that of the late President Sadat, who by his own admission found the details uninteresting. Mr Sadat used to talk in broad terms of how his government was having success in attaining such broad objectives as "prosperity" or "food security," but Mr Mubarak has put things more plainly, identifying Egypt's alarming population growth as the heart of its economic difficulties.

In his November speech he listed the seven main economic preoccupations of his Cabinet as:

● Rationalising consumption and directing local savings to production and development.
● Housing.
● Subsidies.
● Wasteful public and private spending.
● Shortage of skilled and trained labour.
● Imports.
● Strengthening the public sector.

The liberal "open door" policy initiated by Mr Sadat in 1974 would remain, he said, but it would be reviewed to orient it more towards productive activities rather than consumption. "It should," he said, "be directed to produce the basic necessities of the working classes . . . and not luxury goods which are used by an opulent minority.

"The projects we shall welcome in the next stage should be directed to the field of cheap housing, food production, the provision of low-cost clothing, medicine and furniture . . . (and) to producing export goods."

Since then, the problem has been that, only about a month before the next fiscal year begins on July 1, many bankers and economists, local and foreign, find it hard to define beyond broad, logical guess-work—under the welter of conflicting statistics issued by Ministers and in the media—what policies are to be enacted.

The point is made currently that while it was laudable for Mr Mubarak to have been so frank about the problems, they were in fact all well-known and chronic. Expectations of action have been aroused which are as yet unfulfilled.

To some extent action has been taken. Dr Abdel-Razzaq Abdel-Meguid, the deputy premier responsible for the economy, and his team were removed in January. The way it was done was distasteful: rather than judging him by the undoubted confusion he caused in some domestic economic circles and the foreign banking community, he was dismissed because, it was implied, of a totally unproven, corruption issue.

Experienced

The new ministerial team consists of Dr Abdel-Fattah Ibrahim (Deputy Premier and a former governor of the Central Bank), Dr Fuad Hashem (Economy and Foreign Trade), Dr Salah Hamed (finance), Dr Kamal Ganzouri (Planning), Dr Yousef Wali (Agriculture), and Mr Fuad Abu Zaghla (Industry).

To their credit it must be said that this fairly experienced team have provided an atmosphere of greater stability at a time in which policy is supposed to be evolving. But while people speak highly of the Agriculture and Industry Ministers, many maintain that the Deputy Premier has not shown himself strong enough to get his ideas and those of his team heard inside and outside the Cabinet.

A comprehensive view of how to meet the objectives has yet to appear, beyond defining in greater detail Mr Mubarak's seven points and the need to draw up guidelines for the 1982-83 budget — and what sort of shape the 1982-83 to 1986-87 development plan should take.

Mr Mubarak and his economic Ministers have taken on the burden of running the economy at a difficult time. Over the past five years Egypt's GNP growth in real terms has been averaging 9 per cent, and the balance of payments improving so that in 1980 (the last year before the fiscal year was changed) a surplus of $1.5bn was recorded. More recently, however, both the balance of payments and the current account have slipped into deficit as the four main currency earners — workers' remittances, oil, tourism, and the Suez Canal — have not performed as well as in the past and as imports have continued to rise by an average of 20 per cent for both 1980-81 and 1981-82.

Calculations of the components of Egypt's balance of payments last year vary considerably but emerge approximately like this:

● Current account: the deficit has risen from $1.24bn in 1980-81, to $2.5bn.

● Balance of payments: a small surplus of $142m in 1980-81, could become a deficit of about $1.5bn the following year.

● Exports: over the same period rose from $4.3bn to $4.5bn.

● Imports: by contrast rose from $8.5bn to $10.2bn, although it is possible that measures introduced from April 1 (Decree 119), re-categorising imports into four groups depending on their strategic importance to the economy, may reduce this total. The issuing of letters of credit is being much more closely monitored.

● Workers' remittances: amounted to $3bn in 1980-81, but, as recorded by the banking system, are likely to be down by as much as 10 per cent because of uncertainties created by the assassination of Sadat and banking regulations covering imports.

● OIL: in 1980-81, earnings from this sector, excluding petroleum products, reached $2.75bn. The glut and fall in world prices required a revision downwards from target of $3bn, but sales have picked up recently so that earnings could reach $2.5bn.

● TOURISM: brought in $700m in 1980-81, badly hit by political uncertainty and might earn $600m this year.

● SUEZ CANAL: about $900m in 1980-81, may rise slightly this year.

Egypt relies heavily on aid, which provides about 8 per cent of the GNP. The U.S. provides about $1.1bn, roughly half of all aid. It has provided about $6.6bn since 1975, of which about $2.5bn remains undisbursed but it is hoped that within three years commitments will match disbursements.

First indications of the seriousness of the Government in its approach towards its difficulties will come when the budget is announced. Dr Abdel-Meguid, through some unconventional accounting procedures, claimed a surplus of £E142m in 1980-81, whereas more usual methods had it in deficit to £E1.27bn. Estimates for the current year are even higher, in the range of £E4bn.

The aim must be to keep this deficit within the same range for 1982-83, but it is hard to see how this will be done unless some drastic measures are taken, and those in such areas as subsidies of basic consumer goods are politically dangerous.

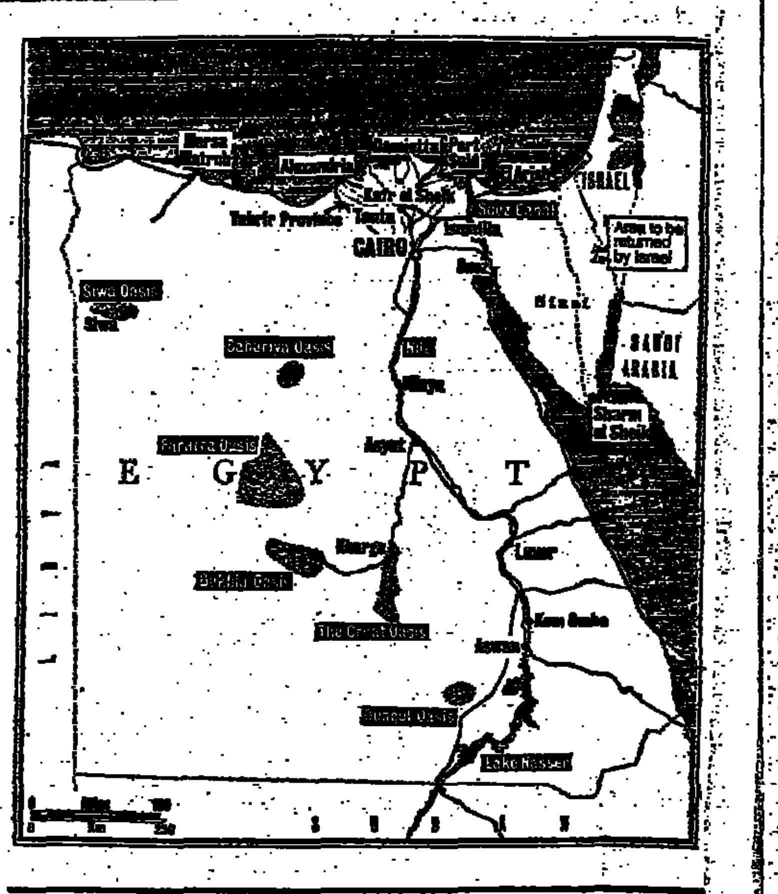
There is in fact little fat to trim. The main items in the 1981-82 budget were: subsidies £E2.3bn (plus absorbed by the Egyptian General Petroleum Corporation, between £E2bn-£E3bn for hidden energy subsidies; various Minister have said that these will not be cut next year); wages, £E2.1bn (these will rise slightly); armed forces £E1.6bn (almost certainly an understatement, this too is apparently not to be cut). Debt servicing £E2.4bn (again this might rise).

Savings

Some savings will be made through austerity cuts. For example, Mr Mubarak is cutting the Presidential budget by £E2m and the budgets of all Egyptian representatives offices abroad would be cut by a quarter. But in the overall terms of Egypt's economy this amounts to little more than the equivalent of an office memo about the thrifty use of telephones and stationery.

The aim of investment this year is a growth rate of about 9 per cent, and the creation of 400,000 new jobs, but what lies behind the impression, so far that nothing much is going to change must be the government's realisation that any assault on the basic problems outlined by Mr Mubarak would involve cost increases, a rise in inflation (currently running at about 25 per cent), and political risks. Thus, as one foreign economist put it: "Egypt remains today a country still in search of a policy."

Anthony McDermott



BALANCE OF PAYMENTS
(U.S. $bn)

	1979-80*	1980-81*
Exports	3.4	4.3
(of which oil products)	2.1	2.7
Cotton and cotton products	0.7	0.6
Imports	7.2	8.6
Trade balance	−3.8	−4.3
Services receipts	4.9	5.4
(of which tourism)	0.9	1.1
Suez Canal	0.7	0.8
Workers' remittances	3.0	3.0
Services payments and transfers	1.9	2.4
Current account balance	−0.8	−1.2

* Fiscal year.

INCOME AND PRODUCTION
(£E m)

	1979	1980	1980-81 (preliminary)	1981-82 (projected)	Growth*
GNP (market prices)	13.2	16.4	19.2	21.9	13.9
GDP (market prices)	12.4	15.9	18.4	21.0	14.5
GDP (factor cost)	11.9	15.6	15.8	17.9	13.5
GDP per capita†	303	376	421	469	11.4
Population‡	42	42.2	42.8	44	2.8
Labour force‡	10.7	11.0	11.3	11.8	4.4

* Percentage of 1981-82 over 1980-81. † £E/year. ‡ In millions.
Note: Fiscal year changed in 1980 to begin July 1 instead of January 1.

Foreign investors asked to back key projects

Industry failing to meet demand

LIKE A GENERAL inspecting his frontline troops, President Mubarak has taken to dropping in on key industrial companies. His vanguard of security guards may destroy the supposed element of surprise, but the message is clear: increase production.

The President's vision of Egypt's industrial future was spelt out in a major speech on May 1. He proudly looks forward, he said, to the day when most products Egyptians buy will bear the stamp Made in Egypt.

Significantly, the factories he has chosen to visit so far have been in those industries which have signalled failed to meet the country's requirements: textiles, the Helwan iron and steel mill and the Nasr motor company, these last two set up as part of the late President Nasser's drive towards industrialisation.

To meet demand, Egypt has to import about 400,000 tonnes of steel a year out of total consumption of 1.5m. The planned Dekheila steelworks is due to produce 423,000 tonnes a year by 1985, mainly steel reinforcing bars for the construction industry. By 1986 demand is expected to have risen to 2.5m tonnes.

Equally, Egypt's motor industry meets only about 40 per cent of annual demand of 50,000 vehicles.

There are several reasons why local industries are failing to meet demand. More than three-quarters of industrial production comes from the public sector, formed either by the nationalisation of existing privately-owned companies in the 1960s or by establishing entirely new ones.

The public sector is blighted by a number of factors. First, the state insists on placing unwieldy and incompetent bureaucracies in positions in industry to which they are unsuited. A reluctance to adapt to modern management methods means there is no streamlining of organisation and decision making is held up.

A new factory to produce batteries has been opened at Giza, near Cairo, by Chloride of Britain. President Mubarak has urged foreign investors to put their money into projects the country needs

High manning levels demanded by unions impairs efficiency, producing unnecessarily high labour costs and low productivity.

The lack of foreign currency made available to buy spare parts has resulted in poor maintenance of machinery and little investment in new machinery. New machinery for the Mehalla el Kubra textile factory has been procured through U.S. and World Bank finance.

The lack of competition with the West before the "open door" policy insulated Egyptian industry from developments in modern technology.

Other problems are the outflow of workers, once trained by the public sector companies, to more lucrative jobs either in the oil States or the private sector. Senior managerial staff on low salaries are similarly tempted.

An economic conference convened by President Mubarak in February to discuss Egypt's ills heard several calls for the reform of the public sector. So far no specific proposals have been accepted and Mr Mubarak, while endorsing the open door policy, has stressed the need to boost and strengthen the public sector "which is the mainstay of industrial production."

He has appealed to foreign investors to put their money into projects that the country needs. He identifies key areas: cheap housing, food production, low-priced clothing, medicine and furniture, all to fall within the reach of the masses.

However, few moves are being made to implement these calls for increased foreign investment. The General Authority for Investment and Free Zones (Gaifz), slow-moving at the best of times, has virtually ground to a halt. Scarcely any new projects have been approved in the past six months, the authority seemingly not wishing to take a decision while the new economic policy is still being worked out. The suspension from duty of the head of Gaifz and several department chiefs has not speeded up proceedings.

A number of foreign companies have shelved investment plans: Phillip Morris has decided against its $250m joint venture with the state-owned El Nasr Cigarette Company for two reasons. The first is uncertainty over the stability of the regime following the assassination of Mr Sadat. But more important was El Nasr's resistance to Phillip Morris having a controlling 51-49 stake in the venture.

Other companies have found that joint ventures with public sector companies create enormous problems. Law 43 which lays down regulations governing the setting up of joint ventures in Egypt, stipulates that a joint venture with a public secter company is classified as a private venture. But a number of such joint ventures have found that their prices and manning levels are still controlled by Government as though they were public sector companies.

Pricing policy in the public sector has also taken its toll. Because the Government, for political reasons, has forbidden prices to rise with costs, many formerly successful companies are now in the red.

A failure of the "open door" policy has been in not identifying the priority areas for productive investment, partly stemming from a confusion over the respective roles envisaged for the public and private sectors.

Further, it encouraged trade rather than investment. New regulations increasing the duty on imported luxury goods have sharply reduced trade in the past six months. So far the Government has done little to satisfy the increased demand other than utter pleas for greater productivity to industrial workers.

Charles Richards

Radical groups protesting against social injustices

Drive against extremists

LAST YEAR Egypt came close to, if not to a form of Islamic revolution at least to a religious upheaval the results of which would have been bigotted, bloody and chaotic.

Ironically, it was the late President Sadat, assassinated last October by Lieut. Khaled Islambouli's squad at a military parade, who probably and somewhat belatedly pre-empted this.

Sadat's September purge, in which 1,500 Muslem fundamentalists, Copts and political opponents were arrested, broke the back of the Moslem Brotherhood movement and its more extreme groupings—at the time. His successor, Mr Hosni Mubarak, has continued the drive against the Islamic extremists (having released most of the rest) with another 2,000 or so arrested. As it turned out, the organisation known as Gihad (Holy War), was successful only in killing Mr Sadat, and later in the month staging an uprising in the Upper Egypt town of Asyut in which 87 people died.

Whether the government has yet rooted out the fundamentalists is still uncertain, and whether it does will depend broadly on how successful Mr Mubarak is in creating a political and economic climate in which ordinary Egyptians do not feel a need to return out of desperation, to the sort of violence witnessed last year.

One reason why last year's events came close to success seems to have been because civilian and military intelligence failed to co-operate closely enough. This permitted, for example, a fundamentalist soldier recruited outside the armed forces, even if detected, to return to his unit with impunity.

There is no means of reading precisely the extent to which the armed forces were penetrated, but Lieut-Col Abboud Zumour of military intelligence is currently facing trial (with the death sentence asked for) accused of being head of Gihad's military wing. (He earlier received a long sentence from the military court holding the Sadat assassination trial). Furthermore, after the killing most units were confined to barracks for some time while religious credentials were checked. The armed forces have not given figures for the number of arrests in their ranks.

The question to be pondered now is the extent to which the government has control, and whether Moslem organisations ranging from brethren to organisations—with violence as part of their philosophy and with names such as Gihad, Takfir Wa'l Higra (Repentance and Flight), Hizballah (the Party of God) or Qutbiyan (named after Sayed Qutb who was executed in 1966)—have gone tactically underground.

A key point is that all these organisations are extremely secretive, and that membership of the Moslem brothers includes many pious ordinary people. But the fact is that the government continues to announce the dismantlement of groups. Indeed, in March Mr Hassan Abu Basha, the new Interior Minister, told the semi-official Daily Al-Ahram that Takfir Wa'l Higra was reconstituting itself. The arrest of one of their groups was announced on May 16. The arrest of Gihad groups has also been announced.

The government can take some comfort from the reaction to the execution of the five after a 104-day trial before a military court convicted of involvement in Sadat's assassination. (The 19 others, convicted or acquitted are now on trial for belonging to Gihad.) It took place on April 15 and was greeted with no response—unless one counts a despairing security guard who went berserk shortly afterwards and shot up the empty presidential plane on the ground before committing suicide.

Thus the government is attempting to keep the pressure up by pursuing opponents, and this applies not only to the Right. Since last October about 200 people have been arrested or had long standing cases re-examined—on the grounds of being communist.

The pressure is also kept up by trials. On May 8, the state prosecutor demanded the death penalty for 299 defendants accused of belonging to Gihad. A total of 1,225 people were arrested in this case, and their ringleaders are accused of trying to topple the government, establish an Islamic caliphate, planning to export revolution abroad, and of the attacks in Asyut. Those on trial, interestingly, include 26 fugitives.

At the same time, the government has been wooing some of the Moslem brethren leaders, such as Mr Omar Temeisani, and permitting the return of part of its Press.

The evidence — and not just because beards are discreetly creeping back as are the nun-like wimples for the women—is that the religious opposition is attempting to regroup. According to Prof. Saadeddin Ibrahim, who has studied the phenomenon, these groups are now more sophisticated than in the past when they would withdraw for some years after government defeat in a regular cycle. He sees a new pattern in which their leaders are sent to prison, so younger members go underground to develop more swiftly a new leadership, and then re-emerge (with the support of the former leadership).

President Mubarak—he has a more direct and open style than his predecessor

Mr Mubarak's challenge will be to develop a political constituency which could take the initiative from these groups. He has made a good start with a more direct, hardworking and open style than his predecessor.

So far his internal political performance has been mixed. His first Cabinet reshuffle in January did not impress enormously. The replacement of Mr Nabawi Ismail (the Interior Minister in charge of last year's purge, he remains a deputy premier) by Mr Abu Basha was welcomed. The economic team clearly need to be changed, but their successors have not really shone. Dr Fuad Mohieddin, his first Prime Minister, is at odds with several members of his Cabinet.

In terms of political life, Mr Mubarak inherits a flawed system, which hardly reflects the true political trends of the country. In the People's Assembly, the National Democratic Party (of which he is President having surrendered the position of secretary-general to Dr Mohieddin) holds about 80 per cent of the 390 seats. The rest are divided between the socialist Labour Party, the Right-wing Socialist Liberals, independents and appointees. Indeed, it is generally reckoned that the most representative party is the Left-wing NPUP even though it has no seats in the Assembly.

However, Mr Mubarak has differed from his predecessor in holding direct talks about policies with the leaders of these parties and has permitted the return of Al-Ahaly (banned three years ago), and Al-Shaab, the weekly of the SLP. Mr Mubarak early on has said, presumably as an aside to both the Communists and religious groups, that no new parties would be permitted.

His problems precede the system Mr Sadat left him and date back to Nasser. For neither he nor Sadat succeeded in turning broad political support into participation on the same level. One politician observed that there was now little difference between the NDP and the dissolved single party, the Arab Socialist Union. "Indeed," he said, "with this collection of parties, people know less where they stand."

Anthony McDermott

Copts co-operating with new regime

EGYPT'S COPTIC Christian minority is divided over who was the greatest casualty in the events of September and October: their Patriarch Pope Shenouda III, stripped of his temporal power by Sadat and banished to a desert monastery, Sadat himself, or Bishop Samuel whose voice of quiet moderation was extinguished in the same explosion of Islamic fury that killed Sadat.

Many of Egypt's estimated 4m Copts accepted the loss of their Patriarch as a necessary sacrifice to counterbalance the round-up of Islamic extremeists. Seven bishops and 15 priests were also detained, although most have now been released. Since succeeding Pope Kyrillos VI in 1972 he has championed the cause of down-trodden Copts in the eyes of some, and engaged in dangerous and unwarranted hostility towards the Government in the eyes of others.

For Sadat there was no doubt. He accused the Patriarch of stirring up sectarian strife and held him in part responsible for the riots in Cairo last year. The Patriarch was trying to create a state within a state, he roared, and gave a warning against mixing politics with religion. A five-man papal committee now discharges Shenouda's temporal duties.

Immediately after the assassination many Copts were naturally wary that the new leadership would be less well disposed towards them than Sadat. Many had prospered under Sadat's open door, which let in foreign firms anxious to make use of the Copts' traditional linguistic and commercial skills.

It was Bishop Samuel however, who many Copts regard as irreplaceable. His diplomatic skills defused many a tense encounter between Church and State. Whereas Shenouda believed—and to date there is no indication his banishment has moderated his view—in taking on the State, Bishop Samuel saw that compliance with the regime served the Copts' interests better.

The Copts have some grievances. Because of what they perceive as discrimination in the civil service and Government, few join.

There are some notable exceptions. The Minister of State for Foreign Affairs Dr Boutros Boutros-Ghali and the Minister of State in charge of workers abroad, Dr Albert Barsoum, are both Copts. President Sadat used to counter charges of anti-Coptic bias in the armed forces with the example of General Fuad Ghali who led the Egyptian assault across the Suez Canal in the 1973 war.

The Copts enjoyed their political heyday in the 1920s and 1930s when they united with Moslems in the secular nationalist movement to throw out the British.

The marriage was effectively dissolved with the 1952 coup d'etat, none of the free officers who staged it was a Copt nor was any member of the 12-man Revolutionary Council which assumed power after the coup. Instead, to give the appearance of national unity the President has traditionally held in his hand appointment to the Parliament of a number of seats, invariably filled by Copts since none are elected.

Under Nasser, Arab nationalism had a distinctly Islamic flavour, and full participation in the movement was denied the Christian minority.

Sadat turned Egypt inwards towards a more insular nationalism. At the same time to counter secular leftist forces he encouraged religious, mainly Islamic groups. The non-Moslem community naturally took fright, and the newly-appointed Pope Shenouda in 1972 led a protest.

The concentration of Copts in the private sector inevitably made them targets for Islamic militants, angry at what they saw as the westernisation of Egyptian society. To placate the Moslem majority Sadat enacted a constitutional change that made Islamic "sharia" law rather than a basis of the law.

The growth of Islamic fundamentalism in part accounts for the spectacular resurgence of faith amongst Copts, especially the young. A rejection of the materialism of the age may also explain why the monasteries, 20 years ago on the verge of extinction, are now oversubscribed.

Many Copts regret Pope Shenouda's assumption of political leadership. Of the Coptic community, some feel now is the time to join the mainstream of Egyptian politics, in the search for national unity.

The first steps towards reviving the dialogue with the more moderate Moslem-brotherhood have been taken, as a means to reduce tension between the communities.

Charles Richards

Militant groups swell in size

President Mubarak continues the fight against Moslem fundamentalists

EVERY THURSDAY thousands of Cairenes amble to work clutching a folded newspaper of Islamic green. From taxi drivers to uniformed guards outside the Foreign Ministry, mainly lower middle-class Egyptians take time off at work to pour over the words of their favourite preachers.

The weekly 'Al-Liwaa al-Islami' The Islamic Banner was launched in January to propagate the official view of the state religion as part of a government campaign to outflank Islamic extremism and lure Islamic militants back to the mainstream.

Traditionally, and above all, at times of crisis the religious establishment comes out firmly in support of the political regime. In the weeks after the assassination of President Sadat senior state-appointed sheikhs at the foremost seat of Islamic learning, al-Azhar University, condemned in the media the Islamic extremists as heretics who had deviated from the true path of Islam.

Al-liwaa al-Islami's initial success has been in publishing interviews with non-establishment religious figures who had been critics of the former regime.

On the eve of publication, the state-run television ran commercials announcing that the first issue would carry an interview with Sheikh Kishk, the blind, populist firebrand preacher who spoke out in his weekly sermons against the social divisions caused by President Sadat's economic policy.

His arrest last September sparked off angry demonstrations by his supporters which had to be broken up by riot police with baton charges and tear gas. It is of minor importance that in his published remarks he skirted round political issues. His words were seen and read in a Government organ. That was a considerable coup for the new Government.

Another released prominent religious figure released from detention by President Mubarak Omar El-Telmessani, a Muslim Brotherhood leader, has condemned President Sadat's assassination. Islam does not recognise political assassination, he has been quoted as saying.

Although the Muslim Brotherhood has been technically banned since 1954, there are now indications that the Government may try to encourage it as a moderate alternative to more extremist groups. In addition, the Government seems to be taking an interest in tentative contacts initiated by the Brotherhood to revive the dialogue between them and Egypt's Coptic Christian minority.

Over the past decade or so the Brotherhood has lost ground to the more radical youthful university-based Islamic associations, Al-Gama'at Al-Islamiyya who reject the leadership of the Brotherhood as old, compromised and lacking in courage.

The Islamic associations are merely the militant arm of a more general trend of Islamic fundamentalism in Egypt, of a belief that the Quran and the sayings of the Prophet Muhammad provide a framework for all human endeavour. The militants go further in wishing to create a society based on Islamic principles including the political system, since Islam in their eyes offers a complete prescription for life on earth.

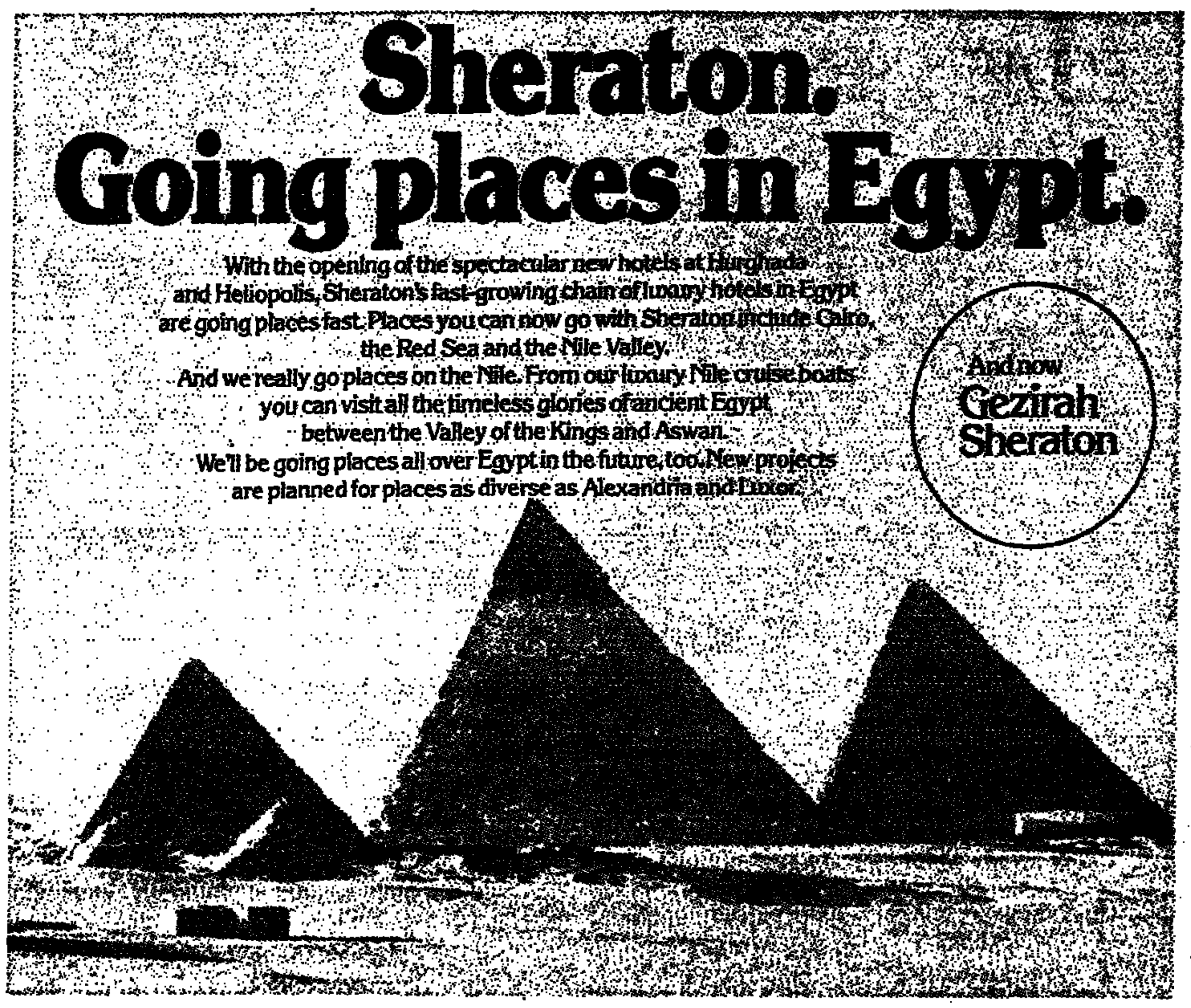
External threats and internal problems have helped swell the militant groups from tiny religious cults to a significant force. If the Arab defeat in 1967 gave them the initial impetus, they gained momentum in the 1970s when Sadat encouraged them as a counterweight to the Nasserist Left and they have thrived on the social and economic injustices they see around them.

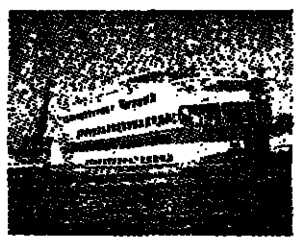
The groups comprise many disaffected, intelligent educated youths, mainly from traditional lower middle class families for whom Sadat's Egypt offered few opportunities to share in the promised Rakha (prosperity). The ideological bankruptcy of the secular political parties offer no alternative for their youthful enthusiasms.

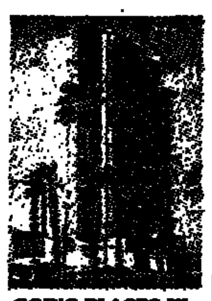
So far the authorities have attempted to curb their influence and power through stringent security measures. Sadat's September decrees banned the associations from the universities and students are no longer allowed to adopt the traditional garb of Muslim fundamentalists: white robes and beard. He also suspended publication of two Islamic organs including the mouthpiece of the Muslim Brotherhood, El-Dawaa. At the same time the authorities are continuing their hearts and minds campaign to discredit the extremists in the eyes of the overwhelming majority of moderate but pious Egyptian Muslims.

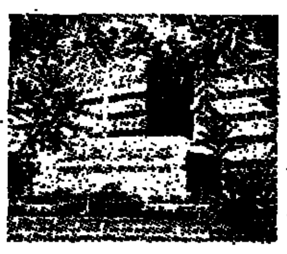
They have an uphill task, however. The social injustices against which the groups are protesting—overcrowded housing, the social inequalities, the corruption in everyday life, have not evaporated. President Mubarak has ordered studies into the causes of Islamic extremism in Egypt. But once they are identified, will he be able to do anything about them?

Charles Richards









Peacetime policy is yet to be established

Defence forces seek a role

FIVE YEARS after President Sadat declared an end to hostilities with Israel, Egypt's enemy of thirty years, Egypt still has not decided on a role for its armed forces, the largest in the region. Nor indeed have its military chiefs decided whether to maintain the forces at their present size based on a predominantly infantry army, or go for high-technology weapons systems with consequent reductions in manning levels.

Over the past year or so the Defence Minister recently promoted to Field Marshal, Abdel Halim abu Ghazala, has been talking about reducing the size of the armed forces by up to a third, with savings on salaries of 25 per cent. Modern weapons systems now entering service with the armed forces are not so labour-intensive, he says. He cites as an example the French-built Crotale air defence missile which needs 50 technicians against the 200 to man the Soviet system it is intended to replace.

Egypt's Army is estimated to comprise 200,000 men, the Air Force about 40,000, Air Defence (a separate force) about 85,000 and the Navy 17,000. Reserves push the total close to 1m.

But in his address to the nation on Labour Day, President Mubarak stressed that the armed forces would suffer no cuts, either in manpower or spending—for which no reliable figures are available.

A number of reasons can be found for this apparent reversal of policy. The announcement that one job in three to be cut would be a great blow to morale, particularly among the highest-paid senior officers who would be hardest hit in moves to reduce the wages bill.

Although the Egyptian Army is top heavy with major-generals, the government would be unwise to court their disenchantment. Since the officers' coup in 1952 the armed forces have enjoyed a privileged position in Egypt's political establishment.

In addition is the cost of finding jobs for the 100,000 to 120,000 men each year that the cuts would throw on the labour market. The army is already engaged on extensive training programmes to provide conscripts with a skill in the construction and housing sector where the country's shortage of skilled labour is most acute.

The armed forces are also to step up their involvement in civil works. Already the corps of engineers is building roads and bridges, constructing semi-automated bakeries, and laying telephone cables. And, turning swords into ploughshares, they are now growing food to achieve self-sufficiency.

There is a good reason for this involvement in non-military work. The civilian sector has not the available manpower whereas there exists in the armed forces a vast pool of under-utilised and frequently more efficient labour. Some critics of the scheme see in it an inherent danger. The greater the exposure of the armed forces to the populace, the greater the risk that when the inevitable mistakes are made the Army will become a focus of criticism.

Reluctant

In a different form this has already happened. With great reluctance the Army helped break up the January 1977 bread riots. The burden of suppressing internal disturbances now rests with Il-amn il-Merkazi, a para-military police force under the Ministry of Interior specially created since then and now estimated to number 100,000 men.

Over the past decade or so, however, the armed forces have seen their social status steadily eroded. Once the privileged élite of post-revolutionary society, with excellent salaries, perks and career prospects, they have been rapidly overhauled by the private sector. A good secretary in a foreign oil company can now earn more than a full colonel. Ironically, their demise is a fruit of their own success in the October 1973 war which created the open-door climate.

The higher salaries in the private sector inevitably have lured serving officers into early retirement and reduced recruitment of the type of ambitious young man who, in the past, knew that in the armed forces his talents would be recognised whatever his background.

To compensate, officers get special privileges and allowances. For example, seven blocks of flats for officers' families are nearing completion in Cairo.

The grievances are not confined to officers. At the beginning of the year, Air Force technicians downed tools at four bases. And under a change of regulations senior NCOs had to wait 12 years, rather than eight, before qualifying for a commission. The mutiny over this was broken, the ringleaders court-martialled, but their demands were met, the regulations were reversed and shortly afterwards the Aid Force's Commander retired prematurely.

Significantly, the strikes were at Phantom and Mirage basis, including Gianaclis and Cairo West, where Egyptian technicians rub shoulders with their pampered and highly-paid American and French counterparts.

The high degree of technical skill needed to maintain modern highly-sophisticated systems is already proving a brake on their absorption despite repeated calls from the political leadership to speed up arms deliveries.

The Egyptian Air Force's success in keeping ageing Soviet-built aircraft aloft despite a shortage of spares, sometimes leads it to underestimate the complexities of the new generation of aircraft to replace them.

Egypt is trying to replace almost its entire inventory and the main provider is the United States. Since 1979 Egypt has ordered from the U.S 40 F-16 fighter aircraft, 35 F-4E Phantom fighter-bombers, 439 M-60 A3 battle tanks, 1,214 M113 armoured personnel carriers (APCs), and 11 improved Hawk air defence missile systems.

The cost is now running at $1.3bn a year, with $4bn already allocated. Foreign military sales credits are payable at 14 per cent interest over 30 years with a 10-year period of grace.

Over the next five years, at $1.3bn a year starting fiscal 1983, the U.S. proposes to assist with the purchase of a further 40 F16s, eight batteries of Hawk missiles and possibly 400-600 M-60 tanks. Egypt is also keen to buy the Grumman E-2C Hawkeye early warning radar aircraft.

In accordance with its policy of not relying on a sole supplier, Egypt is turning to other countries. France is now Egypt's largest supplier of aircraft, following the $1bn deal for 20 advanced Mirage 2000 to add to the order for Alpha jet trainers ground attack aircraft and the Mirage V fighters and Gazelle Helicopters already in service.

Canada is providing 20 Buffalo military transports, Britain helicopters, ships and missiles (made locally) and Spain troop transport trucks.

The policy of diversification has its drawbacks, however. Familiarisation with different weapons systems and philosophies is a logistical nightmare. At the same time Egypt is reviewing planned joint production ventures. It is keen to promote as much local production as possible, and since the demise of the Arab Organisation for Industrialisation, has much spare capacity.

Orders

Britain is well placed to pick up more orders. British technicians are already helping to recondition and rehabilitate MiGs and T-55 tanks. And they also hope to mount the Soviet-made 122mm gun on a tracked chassis.

The defence procurement programme does not always reflect a co-ordinated strategy. The purchase of Hawk and Crotale batteries and F-16 interceptors is justified by the declared priority of air defence. The 34 F-4E Phantoms already in service and the Mirage 2000 and Alpha jets on order are all ground-attack aircraft which could be used in a pre-emptive strike on enemy airfields.

Despite the clamour for faster deliveries of arms, plans for using them on arrival are not always clear. It took a year to incorporate a consignment of M-113 APCs, and many of the M-60 tanks are yet to be deployed.

Negotiations are reported to be advanced for the purchase of 1,500 VAP amphibious vehicles from Spain at a cost of $400,000 each, giving credence to the impression that Egypt's generals are buying the best and most expensive equipment off the shelf.

The purchases could be justified if Egypt wishes to play a wider role in the region. Mr. Abu Ghazala, the Defence Minister, says he wants to maintain a strong Egypt to deter the threat of Soviet encirclement by proxy regimes in Libya and Ethiopia through the Sudan.

Having served for four years in the Washington embassy, he is a great supporter of greater military co-operation with America, particularly in the joint Bright Star exercises with the Rapid Deployment Force.

At present, despite the peace with Israel, Egypt's Second and Third armies are still based at the Suez Canal since, under the terms of the peace treaty, the Sinai is a limited military zone. Only a division and some are deployed in the Western Desert where the threat from Libya seems to have subsided somewhat since its withdrawal from Chad.

To keep the Army happy, however, it may be necessary to give it a role. Although the subject is under review, it is likely to be a guns and butter army — with a small core of highly trained professional soldiers engaged in the real task of defending Egypt and the majority engaged in less traditional military pursuits such as farming and building.

Charles Richards

Egypt-Israel relations make strong progress

TO AN ISRAELI, the idea of being able to go to Tel Aviv bus station, buy a ticket and travel to an Arab country is amazing. To an Egyptian, simply not having to buy more weapons to fight another war provokes a large sigh of relief.

Normalisation of relations between the two countries under the provisions of the Camp David peace treaty have progressed markedly in the past year. The number of agreements signed on cultural, economic, transport and tourism matters has reached 35 and, according to Egyptian officials, exchanges with Israel now far exceed Egypt's relations with most European and Asian countries.

Even the Israelis have tempered their previous complaints of Egyptian footdragging, saying that although relations are not as full as they would have hoped, "we know where to go from here." Official concern in Tel Aviv that, following the Israeli withdrawal from Sinai on April 25, talks would end as Egypt gradually returned to the Arab fold, appears to have dissipated.

Stumbling block

Egyptian officials say they have no intention of improving their relations with the Arab world at the expense of the Israelis and fully intend to put into action all agreements. But they point to the Arab boycott of Israel as the biggest stumbling block to an increase in economic links.

In the case of trade, for instance, Israelis complain that all deals must be done through one bank, the Suez Canal Bank, nominated by Egypt to issue letters of credit for Israeli contracts. This causes delay and means that Egyptian companies with credit arrangements with other banks will think twice about bothering with Israeli deals, they say.

But the Egyptians say that Egyptians working abroad earn foreign exchange worth $3bn and this money is sent through branches of Egyptian banks. If the banks were seen to be dealing with Israel, the remittances would stop, which cannot be risked.

Israelis also complain that Egyptians have denied them access to public sector companies in an economy which is 85 per cent state-owned. Egyptian officials say that since the ratification of the trade agreement four months ago, Israel may deal with public sector companies on an individual basis. They point out, however, that a company doing most of its business with, say, Kuwait, would be unlikely to jeopardise that by dealing with Israel.

Trade nevertheless increased from $12m in 1980 to between $14m and $15m in 1981, mostly Israeli exports to Egypt of foodstuffs, animal feed and day-old chicks.

Relations have shown a good improvement in the fields of cultural exchanges, agriculture and health. An Egyptian folk troupe took part in the Tel Aviv Festival last month, each capital has held an art exhibition by the other's painters, and youth delegations have exchanged visits. A health delegation from Israel visited Egypt and may provide help to the pharmaceutical industry there, while Israeli farmers are already engaged in a joint project in the Nile Delta.

In tourism, some rancour exists on both sides, although advances have been made. Tourists can now travel overland by bus or fly between the two countries and 55,000 Israelis visited Egypt between the end of 1979 and March 1982. Officials realise though that the Egyptians are comparatively poor and tend to travel either to Saudi Arabia on pilgrimages, to Paris or London for medical treatment, or to other Arab countries on family visits.

Cairo officials suggest that an immediate improvement in travel by Egyptian Christians (Copts) to Jerusalem probably would be noticed if Israel returned a church in the city to the control of the Copts who lost it to the Ethiopian Church in 1967.

It is over Sinai that most of the problems seem to arise. Tourists, including Israelis, are expected to cash $150 into Egyptian currency at the border, which the Israelis claim is too much for a family planning to spend a few days camping on the beach.

Egypt says the rule applies to all tourists and that Israeli visitors cannot have special treatment. Egypt has agreed to special visa arrangements at the border for short-term visitors from Israel, but refuses to allow them to bring four-wheel drive cars into the desert on security grounds.

Egypt brought tourist facilities valued at $25m from Israel and hopes to encourage the flow of Israelis into Sinai. Both tourist buses and trucks are now allowed to drive straight through from Tel Aviv to Cairo.

Only one dispute remains in the area following the withdrawal. This involves a tourist hotel at Taba, built by the Israelis on about 1 km of land which has been in dispute since the border was agreed by Egypt, Britain and Turkey in 1906. Both countries have claimed the land, and neither will budge.

Egypt has now suggested that the dispute go to arbitaration under the Camp David treaty, where a decision will be binding, but Israel wants to submit the decision to conciliation, where a decision is not binding. Talks will start shortly on the issue.

The agreement on oil between the two countries under which Egypt supplies Israel with 40,000 barrels a day, possibly as much as 21 per cent of Israel's consumption — which is not disclosed—seems to be working well. The agreement suits both sides of course, giving Egypt a secure market at a time of glut, and Israel a secure supply.

Relations are always likely to be a problem between the two countries, if only because they want different things from each other. Israel wants what Egypt would call a "special" relationship with its only friendly neighbour, whereas Egypt would be happy with a "normal" more low-key relationship.

Margaret Ford

EGYPT V

Greater freedom of action in foreign policy

WITH THE succession by Mr Hosni Mubarak, and with Israel's withdrawal from Sinai in April, Egypt has an opportunity for a more normal and natural foreign policy and greater freedom of action than for some years.

Relations with Washington will remain strong, but Mr Mubarak's style will be more *challenging than that of his* predecessor, the assassinated President Sadat. At some stage relations with the Soviet Union, broken last autumn, are likely to be restored.

Above all, the way *is* being opened for a gradual return to the Arab world and there is much concern about the ramifications of Iraq's apparent defeat in the Gulf war. The overall change of tone was set by Mr Mubarak last November, when he said: "Egypt is an Arab African country, neither Eastern nor Western."

There could be *little* more striking than the differences in style between Mr Mubarak and Mr Sadat in their attitudes towards the other Arab countries. Mr Sadat had a pen*chant for rhetorical* abuse (echoed by the local newspapers) against his Arab political opponents, regularly calling Col Gaddafy of Libya "a madman," and on occasions King Hussein of Jordan "a political dwarf."

Links

By contrast, one of the first *orders Mr Mubarak gave after* succeeding last October was to the media to halt such activities. This had the effect of defusing some strains — although still only Sudan, Somalia and Oman retained diplomatic links — during the difficult early months when internal security had to be established, and latterly during the run up to Israel's return of the final portion of Sinai.

There has been much exaggerated speculation about the speed with which Egypt might return to the Arab fold—even before Israel's withdrawal. It tended to be fed by isolated incidents, such as the very brief opening of the border post with Libya, and the broad Arab re*lief, especially in more radical* states, at Mr Sadat's death. It was fed further by news, revealed by Mr Sadat as early as March 1981, that military equipment was being sold to Iraq.

In fact, it may be argued that Egypt, in spite of the break in diplomatic relations with the majority of the Arab states after the peace treaty with Israel in 1979 and the boycott of Egypt organised at the Baghdad Arab summit of November 1978, never had broken its relations with the Arab world in a formal sense.

This view has been well expressed by Dr Boutros Boutros-Ghali, Egypt's Minister of State for Foreign Affairs, in an article in the spring 1982 edition of the American quarterly Foreign Affairs.

"In fact," he writes, "the proposition that Egypt is or can be isolated from the rest of the Arab world is absurd . . . need*less to say, the influence of* Egypt in culture, science and arts, technology and economics overshadows by far the rest of the Arab world.

"In spite of the severance of diplomatic relations between Cairo and those Arab capitals, transnational relations have continued and even increased." More than 2m Egyptian workers, technicians and experts, teachers, doctors and judges are performing a well-appreciated mission in these Arab countries. Private Arab investment continues to flow into Egypt, and Cairo remains the favourite destination of Arab tourists.

"Thousands of Arabs of every nationality are learning in schools and colleges in Egypt, and Arab military and police officers are still being trained in Egyptian academies."

Dr Boutros-Ghali concludes correctly: "Reconciliation at the *official level between Egypt and* the governments of the other Arab states is bound to come and President Mubarak has made it quite clear that Egypt does not object to such a reconciliation.

There have been other indications of Egypt's rehabilitation apart from arms to Iraq and signs from the Gulf states of wanting Egypt's moral and material support. Both King Hussein and King Hassan of Morocco sent messages of congratulations on the final return of Sinai. Chase National organised a U.S.$200m loan for the central bank of Egypt. Its lead managers included four Arab-owned banks for the first time since the peace treaty.

In April Egypt was able to *address the co-ordination bureau* of the non-aligned movement on the Palestinian problem meeting in Kuwait and propose an 11-point plan. It was the timing and context of the plan rather than its content which was significant, but it provided a strong contrast to the efforts at the Havana non-aligned summit in August 1979 to have Egypt, a founder member of the movement, expelled.

Nevertheless, it is likely to be a slow process—an item of some consolation to Israel, which hopes that Egypt can eventually act as a bridge to the Arab world and that diplomatic neighbourly normalisation can continue unimpaired.

Mr Osama El-Baz, who heads the President's political office, in an interview with the weekly Al-Mustaqbil last month put it this way: "Initially, relations with the Arab countries will not be resumed at an official level but via *professional* unions and syndicates, the press, unofficial popular organisations and economic exchanges."

The fact is that the steadfastness front — Syria, Libya, Algeria, South Yemen and the Palestine Liberation Organisation (PLO) — is still opposed to the Camp David accords, and the Damascus official daily al-Ba'ath continues to call on Egypt to renounce its agreements with Israel before it can return. (Mr Mubarak has made it clear that any Arab Government re-opening relations will have to take Egypt with its peace treaty). It remains, thus, questionable whether individual Arab states would undertake a unilateral move without the consensus of an Arab summit.

If there has been any issue which has overshadowed both normalisation with Israel and Palestinian autonomy talks, it has been, latterly, the Gulf war. Besides aid for Iraq, which as a *quid pro quo* on May 10 resumed the flights of its national airline in and out of Cairo, there have been intriguing suggestions of requests for assistance from some of the small Gulf states, quivering at the prospects of an Iranian victory and influence.

Instability

From Cairo, foreign ministry officials argue that an Iranian victory, the replacement of President Saddam Hussein of Iraq and the alliance of these two states with Syria together with instability among the Gulf states would produce a dramatic and serious change in the balance of power in the Middle East.

It remains, however, doubtful whether Egypt would want to become too deeply involved—not so much because of potential repercussions at home of Iran's fundamentalist Islamic victory, but rather because Mr Mubarak's priority is concentration on domestic problems and reluctance to be involved in divisive Middle East politics.

The main exception to this is the constant concern about events in Sudan, to the south. They are bound by a bilateral military agreement signed in *July 1976, and* were *President* Nimeiri to be overthrown through internal opposition or from outside—as looked to be a possibility earlier through the Libyans in Chad—the dilemma would be acute for Egypt whether to intervene or on what scale.

An additional factor which makes it seem more likely that it will be several months at least before there can be genuine consideration of full reintegration of Egypt into the Arab fold is progress in the talks with Israel over the future status of Palestinians on the West Bank and the Gaza strip. Dr Boutros-Ghali admits in his article that "negotiations may have been rendered more difficult by the Israeli measure concerning the Golan, but they must, and will, go on."

Mr Mubarak has yet to visit Israel, not least because he does not accept the Israeli annexation of East Jerusalem. Israel is insisting that the talks be held in Cairo, Washington—and Jerusalem.

The fact is that these talks, since they started in June 1979, have produced little more than *extensive studies. This is be*cause Israel wants the five-year transitional government by Palestinians to be little more than a special local government, with no chance of becom*ing an embryo Palestinian state.*

Egypt sees the latter as being the aim. *As Dr Boutros-Ghali* said in an interview, "through the transitional system, we can have a Palestinian administration and they will begin to discuss with Israel about their own future."

In spite of the sterility of the autonomy talks, Egypt *is* adam*ant that, first, it is operating* with the interests of the Palestinians in mind, and that Camp David remains the best framework until some other country, whether Arab or otherwise, comes up with a better idea. "We have never pretended," Dr Boutros-Ghali says, "that we have the copyright of the solution." And in reference to the Saudi "Fahd Plan," he writes, "The Saudi proposals are not an alternative to Camp David, but they need a 'Camp David' to be implemented satisfactorily."

The hope of some movement lies in the U.S. There has been only half-disguised disappointment that the Reagan Administration after 18 months in office still appears to be trying to formulate a constructive Middle East policy.

Egyptian officials are looking towards a combination of pressure on Israel and private contacts with Jordan to produce over the next half year within the context of Camp David or some graceful evolution of it, a broadening out of the forum for negotiations.

That way Camp David would become in fact the precedent of historical importance, which the majority of Arab states are reluctant to attribute to it yet.

Anthony McDermott

Emigration straining labour market

MORE AND more Egyptians *are going abroad* to work—and the movement is having a wide-ranging impact on Egyptian society.

The early movement of *Egyptian labour* abroad was limited to technical professions such as teaching, medicine and engineering, but the move*ment in the* seventies covered the whole occupational spectrum. All types of skilled as well as unskilled labour are *now* involved, from university staff to construction workers and domestic servants.

By *1979*, Egyptian workers' remittances had become the most important source of foreign exchange. The movement has had wide-ranging socio-economic impacts on Egyptian society.

There are three streams of Egyptian emigrants to oil-rich Arab states:

- Those who migrate on a *temporary* basis through official Governmental secondments.
- Those who migrate through authorised and recorded personal contacts;
- Those who migrate informally and thus go unrecorded in official statistics.

The changes in the skill structure of emigrants is most notable in the case of personal contracts. The proportion of these without any qualification rose from 19.8 per cent in the period 1972-74 to 34 per cent in the period 1976-78, while the proportion of holders of university degrees fell from an average of 42.7 per cent in the period 1972-74 to 30.2 per cent in the period 1976-78. This trend is even more pronounced in the case of emigrants leaving on an informal basis.

As a result, emigrants' remittances increased dramatically between 1974 and 1980. While total recorded remittances (through bank transfers and own-exchange transactions) did not exceed the level of E£140m in 1974, the figure jumped to E£531m in 1976 and to E£1,205m in 1978. It passed E£2bn in 1981.

Remittances

Egyptian economy observers agree that emigrants' remittances have released new dynamic forces within the economy. The immediate effect was in the distribution of income, which in turn influenced patterns of personal consumption and private savings. But labour emigration also led to the emergence of a new pattern of socio-economic duality.

This *duality* can be visualised by dividing the national economy into two analytical, but not entirely fictitious, sectors: the indigenous and the open-door.

The indigenous sector covers commodity and services flows transacted by individuals whose income is generated within the confines of purely domestic activities. The low levels of pay are dictated by the capacity of the domestic economy to pay.

The open-door sector embraces activities and flows of goods and services closely associated with high incomes, reflecting the capacity of oil economies and foreign business to pay. Most of the purchasing power fuelling the expansion of this sector comes from emigrants' remittances and earnings of those who are employed by foreign or joint-venture companies and other related activities at home.

A parallel structure of prices shapes up for commodities and services traded within this sector. These might be labelled "tourist prices" as they can only be afforded by those who work abroad in oil-companies, those within the foreign business enclave at home, plus merchants, importers, exporters and top professionals earning high incomes from the boom.

In sum, emigrants' remittances was one of the major factors enhancing the duality in the economy in terms of earnings structures, demand structures and price structures for goods and services.

The distance separating the two sub-sectors of the economy is growing; two distinct sections of the working population are now locked-up in each sector.

The increased emigration has also affected the labour market. It has resulted in severe scarcities in particular types of skills, *occupations* and professions. As a result, the authorities are trying to stop emigration.

The Government is now formulating an emigration policy which will not challenge the right of temporary emigration. It is hoping to introduce indirect means to influence size, duration, direction and composition of *external migration.*

It is recognised however that the policy will have to be highly selective. It must encourage the emigration of certain categories of labour but discourage others. The problem of how to do this is a matter of practical policy.

To this end the Government recently appointed Mr Albert Barsoum Salama, a Cabinet Minister, to head external emigration affairs.

Mahmoud Abdel-Fadil

Dr Mahmoud Abdel-Fadil is professor of economics at Cairo University.

هكذا من الأصل

Village life and work in process of change

THERE IS something very impressive about Egypt's agricultural endeavours. A massive state apparatus reaches out into every village and tiny hamlet and engages in a constant battle to control the seemingly uncontrollable—land, animals, people and the Nile.

Then there is the multitude of tiny plots of land, ever fragmenting in size, that make up most of Egypt's agricultural land surface. More than two-thirds of the country's agricultural land is worked in plots of less than five feddans.

Above all, there is the sheer physical, and now perennial, effort of the Egyptian peasant who for centuries has been forced by his labour to support both town and state.

Eighty per cent of Egypt's farmers work holdings of less than three feddans. They, together with the rest of the rural population, comprise about 56 per cent of Egypt's total population and live in 32,000 villages and hamlets scattered throughout the countryside.

Much of the world of these villages is in many respects an unknown. The agricultural census undertaken this year is the first in years. What is clear, however, is that a variety of transformations have been occurring throughout the rural sector during the 1970s, many of these emanating from trends in the national economy and international market.

The increased costs of such basic services as health and education, along with other economic trends in the 1970s, have placed a burden particularly heavy on those groups whose real incomes have declined over the last decade. These include industrial workers and minor government employees, who formed an envied village middle class in the 1960s but whose incomes since have failed to keep up with inflation. Previously an important sector of the village economy.

Village textile production has suffered a dramatic decline in the last decade. Craftsmen such as weavers, dyers and spinners have been dealt a severe blow in the 1970s by competition from local factory-produced materials and imported synthetics. To these can be added the large group of poor peasants, who in spite of the switch to high-value vegetable production, still hold parcels of land smaller than the viable minimum.

What is also apparent is that there is little uniformity about the rural sector today. Take but one example: the migration of male labour to the oil-rich Arab states. This, which began as a trickle at the end of the 1960s, had by the mid-1970s reached a stream.

Some villages have seen such an outflow of labour abroad that acute agricultural labour shortages are reported. In some of these villages, peasant family farming has given way to a form of less-intensive farming by use of wage labour, and remittances from abroad are forming an increasingly large share of village income.

Within these same areas, and often within adjacent villages, labour migration abroad may be almost non-existent, and peasant farming is still a viable base to the village economy so that little mechanisation of agricultural *tasks is evident.*

Maybe rural Egypt never has been a homogeneous entity, but it is clear that today it most certainly is not. But the story of just one village, Ruhshad, near Cairo, while not typical, illustrates the changes that have occurred and are still happening.

Terry Kirk

Irrigating the fields at El Mahsama in the eastern desert region. The loss of workers who have gone abroad has resulted in shortages of labour on the land

Ruhshad: community under new pressures

RUHSHAD, ON the fringe of the Western Desert, looks like an untidy octopus sprawling in a vivid green sea. A tight and *densely-packed body of mud* dwellings, with straggly red-brick tentacles, stretches out into the surrounding agricultural land.

The land itself is devoted largely to the production of *vegetables which are sent to* Egypt's ever-growing capital 30 miles to the north. The district is in fact part of the huge fruit and vegetable growing area surrounding Cairo, and also some of the most intensely-cultivated land in the world.

Fragmented into tiny plots, this land is worked in the main by peasant farmers who produce, primarily by means of household labour and traditional farm implements, three main crops a year—vegetables such as cucumbers, courgettes, peas, green beans, as well as clover and maize for their own and their animals' consumption.

Cutting into the agricultural land and straggling along canal banks and mud-packed tracks are the new redbrick houses built in the 1970s for the most part the homes of the village nouveau riche — typically vegetable merchants and successful village migrants. Around the centre of the village itself are scattered the homes of the old aristocracy who before the 1952 Revolution, monopolised village power and resources, particularly land. Their imposing solid stone-built houses, with huge tiled *reception rooms and now some-*what faded European-style furniture, are still lived in by the same families.

Within the village and along much narrower streets are the tightly-packed two or three-room houses, constructed of Nile silt bricks baked hard in the sun. Inside these homes, cooking is typically done on a primus stove in the covered courtyard, which also houses the mud brick bread oven, maybe a pit latrine, the poultry and the animals at night.

Some houses have piped water, for in the 1960s the government installed a village water tank which taps artesian water 70 metres below the surface. However, this supplies *less than half the village;* the majority of households rely on hand pumps, either within their own or their neighbours' houses.

Contaminated

The water drawn by these pumps from a depth of about nine metres used to be pure drinking water. Now, much of it is contaminated by chemicals carried in seepage water from the fields. The volume of fertilisers used in the village's agriculture increased in the 1970s. So, too, since completion of the High Dam, has the volume of water poured over the fields. The resulting contamination of much of the village's water makes many villagers anxious.

The problem is not only the supply of water. There is no piped sewage in Ruhshad. As a result it is the disposal of household waste water which is often the most laborious task for the village women.

Even for households that do have some form of pit latrine or cesspool, the cost of having it cleared out precludes its use as a general purpose drain. It *is thus* reserved for human waste and the households' used water is carried by women to the nearest canal or thrown on to a patch of waste ground—or even, when neighbours aren't looking, into the village street.

Along with the lack of organised rubbish disposal and the plague of rats that have troubled the village for the last two years, these waste water problems are perhaps the greatest health risk in Ruhshad.

The villager is quick to point out though *that life is* very different now than in the past.

For the majority of Ruhshad's peasants, the first point of reference is the Nasser revolution and, more particularly, the land reform laws that swiftly followed.

Stories abound about the horrors borne by the peasants before the 1950s. Of the landlords' exertion of power in the form of humiliations or beatings, of services demanded, or the arbitrary seizure of animals and land. These same village families continue to live in the village and are still in many ways part of the village elite, but the exercise of their power no longer takes the form of feudal excesses. In this respect, and in others, things are infinitely much better.

But the older villager has not only lived through the land reform years of Nasser, which gave him freedom from certain *feudal* oppressions. He has also had far greater access to formal education and to health services — Ruhshad's two village schools and one health clinic—and he has also lived through the 1970s, an era which in turn, has brought other major changes.

The past decade has been marked by an increased commercialisation of the village economy and by a great increase in the flow of consumer durables into the village — both of which are functions of wider national trends.

One example is that of the changing function of the village bank.

The primary role of the village banks in the 1960s was that of providing credit to peasants for agricultural purchases now operating on a commercial basis. Ruhshad's Bank has diversified and also offers credit on imported consumer goods *such as* television sets, cassette recorders, electric fans, refrigerators, and locally-produced washing machines.

More customers

Its customers are no longer *restricted to the* peasant community, but include any villager with proof of secure employment. Today, within the mud brick houses of the village, it is not unusual to find a television set or cassette recorder, both great rarities a decade ago. To be without at least some of these items nowadays is to feel deprived.

There indeed is more money in people's pockets these days, and the real income of certain groups has risen. Since the end of the 1960s, peasants have been released from the obligation to grow cotton at government fixed quotas and prices, which meant a heavy indirect tax on them as producers. Now they are free to grow high-value vegetable crops, primarily for the Cairo market. For many peasants, particularly those with larger plots and with sufficient household labour to prevent too heavy a dependence on costly wage labour, this has resulted *in a considerable increase in* real income.

But villagers also have more financial demands made on them. Even health and education now involve a cost far greater than in the 1960s. Although the health clinic still operates at a charge of one piastre a visit, there has been a decrease in both staff and in the supply of medicines. Diagnosis is still offered, but treatment is limited, for the drugs are simply not available or in too short supply for full treatment.

Increasingly, villagers are turning to the private services of doctors in large villages nearby, bearing themselves the cost of private transport, consultation fees and prescribed drugs. Even the type of drugs available on the free market has changed. With Egypt's open-door policy, foreign drugs have flooded into the country and *the margin of profit for the* pharmacist for Egyptian-manufactured drugs is far less than that for imported medicines.

Education now is also more expensive. With the amalgamation of Ruhshad's two village primary schools into one in the mid-1970s, with the gross over-crowding of classes and the decline in the number of qualified teachers, private after-school lessons have now become the rule rather than the exception. They are now considered a basic part of any parent's commitment to education and form a heavy drain on many village incomes.

In Ruhshad, one solution to the economic pressures of the 1970s has been migration abroad *for work in the oil-rich* Arab states, particularly to Libya and Saudi Arabia. It is, however, an option entailing high personal cost, and has itself had repercussions on the village economy, often adding *to the very pressures giving* rise to migration. Synthetic materials, a favourite present sent back to families by migrants abroad, have played a large role in changing village tastes and decreasing the *demand for* village-produced textiles.

Elizabeth Taylor

Elizabeth Taylor, a sociologist who has lived for about 10 years in Egypt, is currently engaged in research funded by the American Population Council.

Agricultural advance held up by lack of drainage canals

EGYPT BECAME a net importer of food for the first time in 1974. Since then the present and previous Egyptian Governments have propounded the aim of self-sufficiency. However, there are many serious obstacles in the way of achieving this aim.

To begin with, Egypt's population is expanding and its agricultural land surface shrinking. With a current annual population increase of more than 2.5 per cent, urban and rural sprawl are now encroaching on about 60,000 feddans of prime agricultural land each year.

Neither "horizontal" expansion in the form of land reclamation, nor attempts at "vertical" expansion by raising the productivity of existing lands, is compensating for this loss. The strong, and some would argue misplaced, ideological commitment to land reclamation by President Nasser was not shared by the Sadat regime.

Since 1972, there has been minimal government investment in land reclamation and hopes that sufficient foreign capital would be attracted into this area of investment have proved ill-founded. Of the approximately 0.9m feddans of land reclaimed before 1972, it is maintained—by a 1978 national Bank of Egypt bulletin—that only 40 per cent had reached marginal productivity, that 28 per cent was still below that level, and that efforts toward the final reclamation and cultivation of 32 per cent had been halted.

As far as the possibility of "vertical" expansion or increasing productivity of "old lands" is concerned, since 1973 hope here has been placed primarily on "green revolution" techniques, such as the increased use of fertilisers and pesticides and the encouragement of agricultural mechanisation. The results to date are not very encouraging. Egypt's agricultural growth rate, at constant prices, standing at some 4 per cent in the period 1955 to 1975, fell to 2 per cent in 1965-75. And to only 1 per cent in the period 1975 to 1978.

The major technical reason offered for the decline in growth rate is the serious inability of the existing drainage network to cope with the additional water supply created by the high dam, which has resulted in severe waterlogging and soil salination.

Underinvestment in drainage is not a problem new to Egyptian agriculture. The British, with their interest in promotion of the cultivation of Egyptian cotton, completed but without a compensatory extension of drainage canals, the irrigation network begun by Mohamed Ali.

During the 1970s the Sadat government was able to take some steps towards rectifying the problem by procuring foreign loans, including a number of IBRD loans, for drainage installation projects. These for the most part have only recently begun to be implemented, however, and will not be completed before the end of the decade. Meanwhile, by 1975, 80 per cent of agricultural land had been adversely affected by the lack of adequate drainage, to the extent that 50 per cent of Egypt's best lands have been downgraded to "medium" or "poor" soils.

Productivity needs

Faith in the ability of improved drainage to increase the productivity of deteriorating lands seems to be well founded. A further measure which at present continues to be pursued, that of mechanisation, is far more debatable.

Egypt is committed to achieving full mechanisation of agriculture by 1990, a programme which is extensively supported by external agencies such as the World Bank and Usaid. The Egyptian Government has taken a number of steps to encourage mechanisation, such as lifting the customs duties on imported farm machinery, subsidising fuel, and ensuring that good credit facilities are available to farmers for the purchase of farm machinery.

Hopes are high that mechanisation will bring with it a multitude of benefits to Egyptian agriculture, such as a reduction in production costs, the release of farm animals from much of their labour, thus increasing their milk and meat production, and the achievement of higher crop yields.

The production of Egyptian tractors was part of an integral plan of the 1960s, starting with the production of diesel engines and moving on to components in the 1970s. Since the later stages of the programme never materialised, Egypt now assembles only about 1,000 tractors a year. For the rest, she is dependent upon imports which have quadrupled since 1973.

Mechanisation is going ahead, however. In one delta province, Sharquiyya, land preparation and threshing are almost entirely mechanised, and in the neighbouring province of Beheira, ploughing and irrigation have reached about 80 per cent of full mechanisation, with steps being taken to mechanise the harvesting of rice, wheat and clover. The World Bank has a plan to mechanise completely the agriculture of two other rural provinces.

How far the progress is increasing crop yields is still a subject of some debate. Field station experiments have produced contradictory evidence and a recent report of a joint venture project with the Egyptian Ministry of Agriculture and the University of California concludes that "there is no evidence that tractor farms have higher yields or cropping intensities than unmechanised farms."

As far as Government investment in agriculture is concerned, agriculture in recent years has received a decreasing share of the total cake. For the years 1978-81, agriculture's share in total Government investment never exceeded 9 per cent, compared with a share of 17 per cent in the years 1967-70.

In spite of the problems facing Egyptian agriculture, and the aims of achieving self-sufficiency in food. In the near future, the previous Egyptian Government seems in fact to have given a relatively low priority to agriculture.

E.T.

Margaret Hughes reviews the problems to be tackled in restored Sinai

Challenge of a barren land

EVELOPING SINAI is a am. But I'd rather not am, I'm afraid it might be a nmare." That is how a ior official in the Ministry of onstruction views the llenge which Egypt has to e in developing this sparsely ulated and largely barren itory now fully restored by ael.

There has been much talk of ai's rich mineral deposits, its ge potential for agricultural, ustrial and tourist developnt. But the realities are er different. Most of the erals are marginal, the cost making the land cultivable ormous and tourism a difficult ance between exploiting its ural beauty and peace witht destroying it in the process. Dr Ali Abu Zeid, head of the ai Development Authority, ich will be run along the lines the Suez Canal Authority, is ll aware of the problems. "It ll be more expensive to velop Sinai than anywhere e in Egypt. It will take a lot hard work but we have to do . We have neglected Sinai for o long, and if we do not velop it, Sinai will remain a mptation to others."

There are conflicting views ithin the government on the le of foreign investment. ome officials are adamant that ere should be none and this ems to be true for tourism at ast. Others acknowledge that if Sinai is to be developed it will have to attract foreign investment of the "right kind" and which contributes to the area.

The future population target for Sinai varies enormously. The government has often said that its aim is to have 4m people living there by the end of the century. Dr Zeid believes 1m is more likely but many think that even that is unrealistic and that it will be nearer a quarter of a million. The present population is largely Bedouin and estimated to total 200,000, mostly living in the north.

Egypt has already spent $220m developing Sinai since 1979. It is to spend another $50m each year over the next five. Some 300 projects have been put forward for evaluation and a Usaid-financed development study has been commissioned from U.S. consultants Dames and Moore. In Dr Zeid's view, however, this study, now in its draft final report stage, "doesn't tell us much more than we knew already. It contains no new data beyond what we gave them in the first place."

What the Egyptians had hoped for was an evaluation of the various development options.

Until it knows which projects really are feasible, the Sinai Development Authority is devoting its attention to the area's greatest need—water—spending some E£42m. Of this E£37m is being used to establish a pipeline network for potable and irrigation water, distribute Nile water brought across the Sinai either by siphons underneath the Suez or through the newly-opened Ahmed Hamdi road tunnel. A possibility later is to extend the El Salem canal which runs from Mansoura to the Suez canal across into Sinai.

Contrary to the publicity given to them, Dr Zeid does not foresee that agriculture and industry will be the main sources of production. He considers tourism and fishing to have the greatest potential.

Potential

But he sees good potential for developing a fishing and canning industry based on Lake Bardawil on the Mediterranean coast and in the Gulf of Suez. The Israelis during their occupation had developed the former, which he says now provides 25 tonnes of fish a day, but in his view this could be doubled (the Israelis calculated that the maximum output which could be achieved is 2,500 tonnes a year).

In the Gulf of Suez the Authority, with assistance from the Japanese Government, is studying the feasibility of expanding the existing fishing base at El Tor and developing another. According to Dr Zeid the Gulf of Suez provides some 20 tonnes a day of fish at present. He believes this could be expanded to 100 tonnes a day and provide the basis for developing a fish canning industry.

Exploitation of minerals, he says, is still under study through it appears that a decision has been made to go ahead with a ferro-manganese plant at Abu Zenima on the Gulf of Suez, based on the manganese deposits of Um Bugma. These were about to be exploited when war broke out in 1967. The feasibility of reopening the El Maghara coal mines is still under study. The coal is not suitable as coking coal but could be used to fire a proposed power station. Most power in Sinai is supplied by diesel generators in the main population areas.

There are also reported to be deposits of copper, gold, iron phosphate, sulphur, limestone and turquoise. But more promising are the high silicon glass sands at El Khabouba and Wadi Budra—the only glass sands in a country which imports virtually all its glass. There are also high grade kaolin deposits near Abu Zenima and Abu Rudeis which could be used to produce ceramics for the electrical and other industries. There are also plans for a gypsum plant in the same area to supply the construction industry.

Sinai's richest raw materials, however, are oil and gas, which are already produced in the Gulf of Suez but have also recently been discovered offshore on the Mediterranean coast. There are proposals for establishing a refinery and petrochemicals complex at Abu Rudeis using the natural gas which is now flared off. There are also proposals for establishing a similar complex on the western bank of the Gulf of Suez where transport and access to ports is easier.

There are four main areas available for tourism development. In Dr Zeid's view the Gulf of Aqaba, where the Israelis developed three small resorts during their occupation, has the most potential. At present there is one hotel and a diving school at Sharm El Sheikh and two tourist villages at Dahab and Nuweiba along the road to Eilat. The Israelis used these sites mainly for international tourist but Egypt hopes to attract high-income international tourists who will come for skin-diving among the spectacular corals and other sea life.

Dr Zeid sees further potential in the St Catherine's area in the interior which is already on the tourist map. His third choice is the Mediterranean coast where El Arish is now the main resort. The feasibility of developing this is still under study. But it would seem to have more potential for domestic and Arab tourism as an alternative to Alexandria than for international beach tourism where the competition from more established and cheaper resorts is fierce. The fourth area of tourist potential is Hammam Faraun, the hot springs centre above Abu Zenima near the Gulf of Suez, which is being considered for development as a spa.

Egypt hopes to attract about 250,000 tourists to Sinai by 1985. Only time will tell whether this target—like the others—becomes a reality or remains a dream.

The Canal remains a prosperous artery

HE SUEZ CANAL, the reliable orkhorse of Egypt's hard urrency earnings, has emerged is year with its reputation for liability hardly tarnished. hile receipts from oil, orkers' remittances and urism have all been hit by a ariety of factors, ranging from e cold winds of world recession and the oil glut to local scal policies and President nwar Sadat's assassination, the anal has prospered.

The Suez Canal Authority deed hopes for record earngs of $1bn this year. This will ot only help fill the treasury ffers but also go towards paying the cost of the canal pansion programme completed last year.

The canal has managed to crease its income and expand s volume of trade and it is ly concerned about the oil arket which seems to be holdg back planners from trying make even more of the nal's future.

The SCA is hoping equilibrium ill return to the oil market by bout 1988, with a difference 10 per cent or less between pply and demand. This would nerate a return to popularity the giant supertankers rrying oil from the Gulf, hich the Suez Canal cannot resently accommodate.

Work on widening and deepening the canal, to enable it take ships up to 260,000 tons lly laden, would need to start ur years earlier and would st $750m. At present the anal can take ships up to 50,000 tons fully laden.

The SCA has been considerg a feasibility study on this second phase of the canal's development for some time but is wary of deciding to go ahead because of the cost and the instability of the oil trade in the Middle East—affected by high prices, world recession and the Gulf war.

But by 1988 another problem will have to be taken into account. The giant supertankers which would use the enlarged canal would be carrying oil from countries such as Iraq and the United Arab Emirates, whose oil reserves are expected to run out towards the end of the century.

The project would need a 20 per cent rate of return to be viable, according to Dr Ahmed Ammar, head of planning at the SCA, and it would need to be used for at least 12 years by the Gulf supertankers.

Soft loan

Part of the financing for phase two has already been worked out, with the Japanese Government pledging a soft loan of $56m for fiscal 1981-82. Japan is eventually expected to provide a total of $250m in loans for the second phase, having contributed $300m to phase one, completed last year.

Dr Ammar says the World Bank has promised a loan of $100m for Phase two although it will be at a fairly high interest rate. The European Investment Bank has also been approached and the SCA will try to raise about $70m on the open market. The Egyptian Government will provide the rest in foreign and local currency.

Since its reopening in 1975 the canal has been a success story. According to the SCA its earnings have risen from $655m in 1980 to $888m in 1981, leaving the hoped for $1bn for 1982 looking within reach.

Revenue for the first three months of the year increased from a mean daily average of $1.8m in 1980 to $2.4m in 1981. By 1982 the mean daily average income had risen to $2.5m in January and $2.7m in February.

Traffic also rose, increasing by 5.6m tonnes, from 109.5m tonnes to 115.1m tonnes, in the first four months of this year over the same period of 1981.

Even oil tanker tonnage increased, although the rise was smaller than hoped for because of the Gulf war and the fall-off in consumption as European countries tried to reduce their energy costs. Tankers, which were favoured against other classes of vessels in new scales of transit dues introduced at the beginning of the year, accounted for 42.8m tonnes in the first four months of 1982, compared with 42.8m tonnes during the same period of the previous year.

General cargo ships are now being overtaken in world shipping by container ships, Dr Ammar says. The volume of container ships using the canal increased by 1m tonnes in the first four months of 1982 but there was a corresponding decrease in general cargo ships of 319,000 tonnes.

The SCA has temporarily shelved a plan to make the canal two-way for all shipping but is going ahead with an experiment to provide a two-way system for smaller ships of up to 10,000 tonnes.

Margaret Ford

Foreign bankers are worried by the lack of any firm policy on imports

Pessimism in banking circles

WHEN Dr Abdel-Razzaq Abdel-Meguid was replaced last January as Deputy Prime Minister for Economic Affairs, many foreign bankers sighed quietly with relief. Their always tense relationship with Dr Meguid and his team was at its lowest point following the chopping and changing of regulations last summer which brought business practically to a standstill. After that, anything would be better. But in fact life, if anything, has got tougher for the foreign banking community.

The decline in their letters of credit business, which still represents the bulk of their banking activities, has sharpened since the beginning of this year as Dr Meguid's successors have toughened the measures he initiated to curb imports. On average, letters of credit business is down about 40 per cent on a year ago, and for those whose financing is predominantly in imports of consumer goods, the drop is nearer 50 to 60 per cent.

On the positive side, foreign bankers welcomed the decision of the new deputy Prime Minister, Mr Mohammad Abdel Fattah Ibrahim, to switch the import deposit scheme back to one requiring the importer to pay the deposit in foreign currency. This reversed the decision taken last summer allowing the deposit for two non-luxury categories to be paid in Egyptian pounds. This excluded the 9 foreign bank branches as well as those operating as 50-50 joint ventures from financing any import trade apart from goods in the luxury bracket.

The reversal of this decision therefore should have boosted banks' trade financing. But in practice this has not happened. Apart from imports of raw materials, equipment and spares, imports are virtually at a standstill—including private sector food imports. In part this is because clearance of import licence applications is taking much much longer.

The special imports committee, formed last year but now baring its teeth, is scrutinising applications more carefully. The import of some goods is being prohibited while the pricing of others is being more closely regulated.

But while the committee sets price margins based on the official exchange rate of 84 piastres to the dollar, importers have to obtain the foreign currency to finance their imports from their own exchange or free market where the rate a month ago hit a peak of 120 piastres and is still hovering around 105. At such a high premium—which the importer is no longer able to pass on to the consumer—not only is his profit wiped out but the importer is more likely to be making a loss, so he is not importing.

Under these circumstances the banking community is more pessimistic than usual. Although return on net assets in Egypt is still more than double that anywhere else in the world, they say real growth, which had been in the region of 8 to 9 per cent a year, has reached a plateau. They are also frustrated by the apparent inertia of the country's present economic team.

Confusing

Meanwhile, confusing directives are not, it seems, the prerogative of Dr Meguid's team. One of the latest Central Bank directives tells banks to stop issuing any new lines of credit "which assist in the buying and selling of passenger cars and consumer durables." They are further directed to "gradually liquidate any facilities granted for the same purpose against existing guarantees or against advance cash payment pending final settlement of these facilities." As usual, bankers have had to seek clarification from the Central Bank.

While it is clear that the government intends to curb imports of cars and consumer durables, it is not clear whether letters of credit against 100 per cent cash are also banned. Bankers are also unhappy with being used once again as a vehicle for curbing imports in place of a more transparent system such as quotas and, as one banker pointed out "bankers are skilled at finding the loopholes."

It also looks as if the tighter regulation threatened in the Meguid era is on its way, at least for new banks coming to Egypt or those wanting to switch foreign branches into joint ventures. During Mr Ibrahim's reign at the Central Bank before his present appointment, a bank report recommended that no new licences should be issued for foreign banks.

On that score Mr Ibrahim has indicated that any new foreign branches or joint ventures will be prohibited from financing trade. They will have to operate as true investment or merchant banks. In the past year foreign banks in any case have been subject to more regulation. They now have to deposit 15 per cent of their foreign currency deposits with central bank which pays them interest at Libor—or, as some banks claim, a little under. Since last November they have been subject to retro-active credit ceilings. In the year September 30 1981 to September 30 1982 their growth in lending is restricted to 9 per cent, while loans should be no more than 65 per cent of all commercial deposits.

Banks are hoping for some flexibility in applying the latter ratio to exclude investment in certain types of industry. Their participation in the $200m central bank loan syndicated by Chase Bank, was not, incidentally, subject to the credit ceiling.

One bank which has got in before any new licensing regulations are imposed is Hong-

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هكذا من الاصل

Long-term approach needed to solve housing problems

SALEH WANTS to get married. He has wanted to for more than five years but it will be a good many years yet before he will be able to. What stands between him and married life is that he cannot afford a home to live in.

Despite official statements to the contrary, there are plenty of flats available. Indeed, in Cairo the estimated vacancy rate is around 5.5 per cent and by no means confined to the luxury end of the market. But the monthly rental on a two- to three-roomed flat of the kind Saleh wants to live in would be between E£25 to E£30, way above the average monthly Cairo rental of E£5.5. It would mean that about 30 per cent of his wages as a mechanic would go on housing. With food taking up another 60 per cent or so Saleh and his new wife would start married life in a very precarious financial position.

If that were the only problem Saleh would probably get married tomorrow. But to get that flat he would have to pay anything between E£1,500 and E£2,000 in "key" money. Though illegal and, since last year's new housing law, a criminal offence, it is estimated that almost every apartment which has changed hands since 1970 has involved payment of key money. And buying a house is even more beyond his means.

President Mubarak has frequently emphasised the need to solve Egypt's housing problems. But the government sees it in terms of a housing shortage which neither visual evidence nor independent studies bear out. The real crisis is the inability of young people to afford their first home. The gap between their housing costs and those that have been housed for some years in rent-controlled flats is vast.

There are other housing problems—slums in Cairo and Egypt's other urban cities. More and more buildings are collapsing, mainly through lack of maintenance but also because most housing expansion in recent years has been through vertical integration, often on old buildings not designed for it. Some people do live in shacks on roofs and others live in mosques.

Utilities

Luckier ones live in cemeteries like the City of the Dead in north eastern Cairo. Many are in structurally sound buildings, sometimes several storeys high. They are connected to most of the utilities and services including bus routes—despite the fact that as far as the national census is concerned the quarter of a million or so living there do not exist.

One of the major reasons for the housing crisis is Egypt's rent control, the result of a series of laws which first froze rentals on all properties leased before 1944 at 1941 levels and subsequently reduced them at the same time. Properties leased in subsequent years were brought under similar rent control right up to 1965.

Since then they have been fixed by a committee based on land and construction costs—but administratively assessed ones rather than real costs. Until last year they were set at 5 per cent of construction costs and 3 per cent of land costs. Under last year's new housing laws this has been changed to 7 per cent of the combined costs, which has been much criticised. It is well below the return on bank deposits and, inevitably the cost of bank financing.

At the same time legislation has conferred permanent and inherited tenancy which, combined with rent control, is why the average Cairo monthly rental is so low. Such legislation is also held to be responsible for the fact that about a third of Cairo's housing is crumbling.

At the same time some tenants who may be paying only E£7 or E£8 controlled rent for five or six roomed-flats in the better areas of Cairo are making vast profits by subletting them furnished at exorbitant rents to foreigners. Landlords, stuck with a block full of rent-controlled tenants, add on new floors which can be let furnished without rent control, often on buildings whose foundations cannot take it.

The government estimates that there is a current shortage of about 1m homes and that by the year 2000 it will be 3.6m.

In fact new housing is keeping pace with population growth but not because of any government housing programmes.

There is much talk of the E£450m which is being allocated to new housing this year. Then, it transpires that only E£25m of this is being allocated to Government housing and another E£125m to the governorates housing programmes.

Given that these units are over-designed and built to standards far higher than that required by those sectors which it is supposed to house, this provides about 2,500 government homes a year and the governorates build another 20,500.

The remaining 275m, according to Mr Saleh el din Mohamed Fahmy, First Under-Secretary for Housing, represents the amount of loans on which the government subsidises the interest rate. These funds are raised through the commercial banks.

These loans are intended for the low income groups, but most go to the co-operatives formed usually by professional syndicates whose members tend to be reasonably well off and in some cases in the upper middle income groups.

Most of the new housing is being built by the "informal (illegal) sector", which the government steadfastly ignores in its official calculations.

According to the study on informal housing in Egypt completed last year by ABT Associates with Dames and Moore and the General Organisation for Housing, Building and Research 84 per cent of the new housing which has been put up in Cairo over the past ten years has been put up by the informal sector. It also provides the population with the kind of affordable housing that it wants.

Informal housing is illegal housing built on unregistered land and/or without building permits. In Egypt the land is often legally owned but illegally subdivided. Sometimes it is on government land. The biggest problem is that it is usually on legally-owned agricultural land which still provides profits of about 200 per cent.

It is estimated that 5,000 acres a year of agricultural land are lost to urbanisation in conflict with the govern[...] other stated priority [...] sufficiency in food.

But a study found [...] informal housing is [...] ordinary housing in [...] design, building materials [...] internal amenities. [...] informal housing is [...] to be in better average [...] tion than formal housing [...] formal housing is [...] "significantly" less [...] plied. The govern[...] refusal to recognise [...] housing and thus t[...] services. Where [...] houses have grown [...] informal community [...] been cases where the [...] ment has "legalised" [...] housing and then [...] services.

The study concludes [...] informal housing sector [...] sents an alternative to [...] public sector housing [...] deserving of greater [...] support."

Margaret Hu

هكذا من الاصل

High consumption of oil the main energy burden

IT HAS been a bleak year so far for Egypt's oil industry on which the country's economy is so dependent. Oil is by far the largest commodity export. At $2.7bn last year it accounted for as much as 70 per cent of visible exports.

The world oil glut this year has forced Egypt to both lower prices and cutback production with the inevitable result that oil export revenues will be short of target.

The original target for the current financial year was $3.8bn but this was set early in 1981 when Egypt's oil prices were at an all-time peak—$40.5 a barrel for its Morgan Lights crude of 32.7 degrees API.

This target was revised downwards last summer to $3bn of which $500m was destined for the alternative energy fund. The fund was established in the previous fiscal year to provide the finance necessary to develop other energy sources such as nuclear power.

It is now clear that there will be no surplus revenue to set aside for the fund this year. In addition, it is unlikely that the targeted $2.5bn contribution to the balance of payments will be reached. The Egyptian General Petroleum Company (EGPC) is wary of making any firm predictions but officials within EGPC are talking of an 8 to 10 per cent shortfall.

In the early months of this year production was cut back by an average of 320,000 to 340,000 barrels a day. In the first three months the daily production average was 630,000 barrels a day plus about 80,000 barrels oil equivalent of gas. Production is understood to have picked up a little in April to 644,000 barrels and was probably about the same in May. The target for this year was 670,000 barrels a day.

About half of Egypt's production is consumed domestically. After the foreign companies have taken their share this leaves Egypt with anything between 150,000 and 200,000 barrels a day for export. Egypt is known to have had difficulty in selling its oil on the export market this year even at reduced prices. By the end of March export revenues totalled $2bn leaving another $½bn to be raised in the last three months of the fiscal year.

Egypt is understood to have had more success with its export sales in the last month or so. Prices have also firmed. The price of Morgan light crude had been reduced by $1 on February to $33 a barrel and by another dollar on March 1. At the same time the credit period was increased from six to nine months.

But since then Egypt has been able to hold the price at $32 and on May 1 cut the credit period back to six months.

Terry Kirk

Station in one of Cairo's southern suburbs. Domestic use of energy is increasing and the government is having to look at alternatives to oil and gas to supply the country's future needs

The oil industry's over-riding burden is, however, the high level of domestic consumption. This is about 32,000 to 33,000 barrels a day and is increasing at the rate of 12-15 per cent a year. Oil accounts for nearly 8 per cent of the country's energy needs.

It is estimated that by the year 2000, commercial energy demand will be 65m tonnes oil equivalent. If oil were to represent the same proportion as it does now this would mean that 52m tonnes of oil would be consumed domestically. Egypt's oil reserves are forecast to last 15 years at current output levels.

Faced with this prospect the Government is attempting to switch to nuclear power and gas. It hopes that by the end of the century nuclear power will provide 38 per cent of the country's energy needs, hydro-power power 14 per cent and renewable energy sources such as solar 5 per cent. The rest would be from thermal power generation by oil, coal and gas.

The main drawback to this programme is the high capital cost of implementation. It is estimated, for instance, that at current prices it will cost about $34bn to establish the proposed eight nuclear power projects.

Financing will also be the problem in establishing the nationwide gas network which Egypt has in mind. In an attempt to attract participation by the oil majors, EGPC has, after many years' deliberation introduced a new "gas clause." It still means that no gas can be exported until reserves of 12 trillion (million million) cu ft are reached. But the main difference now is that whereas all previously discovered gas had to be handed over to EGPC, companies will now be compensated for exploration costs plus interest. Once the key figure is reached the surplus as before can be exported.

The big question is just when that trigger point will be reached. Officially current gas reserves are put at 5.5 trillion cu ft. However, some outside experts put them as high as 9 trillion while even some officials within EGPC reckon they are somewhere between 7 and 8 trillion.

Many of the oil majors are sceptical, but eight companies have either signed, or are about to sign, new agree[...] or amendments which [...] the new gas clause.

At present most of Egyp[...] associated gas is flared [...] the rate of 160m cu ft a [...] But by the end of this year [...] project to collect half [...] amount from the Gulf of S[...] should be in operation [...] industries in the area.

Current gas production [...] around 2.5m tonnes a day in [...] three natural gas fields. [...] largest of these, Abu Gha[...] in the Western Desert, provi[...] the gas now being piped [...] homes in the Cairo area und[...] the £53m contract awarded [...] William Press. This will [...] 160,000 homes on the east ba[...] of the Nile. The Governm[...] intends to extend the netw[...] to the West Bank and to Al[...] andria for domestic and ind[...] trial use.

The aim is to reduce bott[...] gas consumption, almost all [...] which is imported and he[...] subsidised. Each bottle, w[...] retails at 65 piastres, costs [...] Government E£4-5. The G[...] ernment is also attempting [...] raise costs to industry by [...] creasing energy prices to [...] private sector by 25 per c[...] a year to bring them up [...] world prices over five years.

Egyptians currently pay a[...] 80 per cent less than the in[...] national price for their en[...] Energy subsidies are expe[...] to cost the Government a[...] $3.2bn this year.

On the energy supply [...] there is good news. In the p[...] two and a-half years there h[...] been 27 new oil discoveries [...] two of gas. In the cu[...] financial year output from n[...] discoveries should provide [...] additional 40,000 barrels per [...] which will help Egypt meet [...] average daily production th[...] for next year of 735,000 barr[...] per day.

The most promising new [...] in terms of potential size is [...] by the Suez Oil Compa[...] (SUCO) in the Gulf of Su[...] which could yield at least 1[...] barrels per day.

Two other new finds open [...] new areas. One is the Tina [...] discovery by IEOC offsh[...] Sinai in the Mediterranean [...] the other is Shell Winning [...] discovery at its Badr El D[...] concession in the Weste[...] Desert.

Last year $175m was spe[...] on exploration in Egypt. Six[...] new exploration agreements [...] were signed and another th[...] this year.

M. I

Bankers worried

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kong and Shanghai Banking Corporation. Later this year it will establish a joint venture bank in which it will have a 40 per cent stake in the £E16.8m capital. The majority shareholding of 51 per cent will be Egyptian, all in the private sector with the exception of Egypt Reinsurance, which will have a 7.5 per cent stake. Private Arab investors will hold the remaining 8 per cent.

Approval for setting up the new bank, Hongkong-Egyptian Bank, which will have its headquarters in Zamalek, was obtained in August last year. The new bank aims to do both commercial and investment banking. A majority Egyptian ownership allows banks to deal in local and foreign currency.

Still waiting in the wings, having received approval to switch to majority Egyptian ownership, is Cairo Barclays, a joint stock bank in which Barclays Bank International and Banque du Caire each have a 50 per cent holding.

Also considering a switch in status are two banks which now have foreign branch status. These are Lloyds Bank International and Citibank, which has already received approval to do so. What makes them still hesitate is the requirement introduced in 1980 that they relinquish their existing branches. This they are reluctant to do and they had rather hoped that the new economic team might take a softer line on this. But there appears to be no change in policy.

Many banks would like to provide more term lending to viable projects but say their capacity for doing so is limited because their deposits are largely short term. They would like the central bank to fulfil its role as the banks' bank, providing discount and other facilities. At present there is no lender of last resort in Egypt.

M. H.

The government is to increase investment by 20 per cent to improve efficiency

Agriculture struggling to feed the country

DR YOUSSEF WALI, the new Minister of Agriculture in President Hosni Mubarak's Government, is due to present his strategic plan for the reform of agriculture in the country to the parliament in the next few weeks.

The figures tell a sorry tale in the vain struggle of one country to feed itself.

- In 1981, according to U.S. estimates Egypt's population rose by 1.3m or 2.7 per cent and its agricultural production rose by 15 per cent but this was after a disastrous year in 1980 so that it was a real improvement of only 5 per cent on 1979.
- It spent 5 per cent more on food subsidies and 26 per cent more on fertiliser subsidies.
- Consumption of food rose by 8 per cent.
- Exports of food remained static *but the food import* bill rose.

Dr Wali identifies a number of major problems. He would like to see farm prices for crops such as cotton, rice and wheat, where farmers must sell a percentage of their crop to the Government at a fixed rate, to be related to the world market.

Incentive

The Government has already moved in this direction by raising the cotton price in the past two years. Last year a higher farm gate price for soyabeans was announced before the crop was planted, thus providing an incentive for farmers.

In recent years farmers have moved towards cultivating crops whose prices are not controlled, such as fruit and vegetables, livestock and animal feed, which are also more suited to the very small units of five acres or less that make up the majority of Egyptian holdings.

The result of this in 1981 was that Egypt found it necessary to import an estimated 75 per cent of its wheat requirements, 68 per cent of vegetable oils, 47 per cent of sugar and an astonishing 94 per cent of its *lentil requirements, up from 64* per cent in 1977. Income from rice and citrus fruit exports was down.

Egypt is in dire need of a new pricing policy, Dr Wali believes, pointing out that the system of partial control leads to subsidised human foods being cheaper than animal food. He would like to see the food subsidy system separated completely from the farm price system.

The Government has already committed itself to an increase in agricultural investment and plans to spend US$972m in 1981-82, mainly on land reclamation, irrigation and drainage silos, storage and agricultural processing.

Until 1984, investment is planned to increase by 20 per cent with 25 per cent of the *profits* of the public banking sector earmarked for agriculture. About one-fifth of the total is expected to come from the *private* sector. Dr Wali would like even more, suggesting that the savings of workers abroad could be more productively invested in farming than *in private property or luxury* consumer goods.

He is particularly concerned by the erosion of farming land. *Although land reclamation* schemes are meeting with some success, albeit at high cost, some observers feel that it would be better for the Government to try to stop the erosion of old farmland by urban expansion. This is accompanied by the removal of fertile topsoil for making into bricks, a practice for which Dr Wali would like to see penalties introduced.

New building development, *whether for residential,* public utilities or industrial zones should be directed towards non-farm land, with co-ordination between ministries over decision making, he believes.

He would also like to see a better-organised system for helping farmers with new ideas and research, a producer's union to be set up to provide services such as cold stores, and the elimination of waste.

Egypt's main agricultural export is cotton, which is expected to supply a similar amount of foreign exchange this year *as last year. The Government* decided to reduce the cotton acreage for 1981-82 by about 7 per cent from 1.18m feddans (1.27m acres) to between 1.08m and 1.1m feddans.

Some of this reduction will be compensated for by the increase in yields, which are expected to go up again. In 1979-80 yields averaged 8.5 kantars (50 kilos) per feddan, rising to 8.77 kantars the following year.

About 4.5m kantars are expected to be available for export this year with a value of *U.S.$ 700m,* and the Egyptians are hoping that an easing of the world recession will allow sales to pick up. European mills are said to have run down their stocks. In an effort to boost exports, the Government cut its opening export prices on the 1981-82 crop by about 20 per cent on the previous year's price.

Stable prices

Wheat production remained relatively stable over the past two years, and prices to farmers did not rise. Wheat straw for animal feed was said to be selling at a higher price than wheat grain at one stage, due to the availability of *imported wheat* and the strong demand for meat.

Bread and flour attract some of the heaviest food subsidies (*a loaf of flat bread costs about* 1p). Rice, once a major export crop, has failed to keep pace with the growth in domestic consumption. Production was down about 6 per cent in 1981 and although rice is rationed, as well as subsidised, to the consumer so as to keep as much as possible for export, only about 25,000 metric tons are expected to be available, compared with 134,000 metric tons in 1980.

Dairy, livestock and poultry *products are the fastest-growing* sector in agriculture and account for 31 per cent of all agricultural output. Although imports of beef rose 16 per cent in 1981, imports of poultry meat rose only 8 per cent, and the requirements for 1982 are expected to decline from 82,000 metric tons in 1981 to about 60,000 metric tons.

Local egg production is expected to satisfy demand this year, and no imports are likely, the Agriculture Ministry said.

President Mubarak has stressed his concern at improving agricultural production and if only a few of Dr Wali's suggestions were adopted, the *change could be worthwhile,* observers feel. If nothing is done, however, Egypt will be in severe difficulty by the end of the century.

Margaret Ford

Girl picking olives. In recent years farmers have cultivated more crops whose prices are not controlled, such as fruit and vegetables

Property: care needed to avoid the pitfalls

THE FIRST task of the businessman arriving in Cairo to investigate or to prepare the way for setting up operations is to establish a guide to the costs and problems associated with finding suitable premises both *for his business, and for ex*patriate staff.

The difficulties can be overcome partly with the assistance *of a good, reliable Egyptian* partner, agent or property broker.

In general, the laws governing the use of existing property are advantageous to the user. For example, no law yet exists to prevent residential accommodation being used as offices. Thus the offices most new companies operate from in Cairo are located in buildings designed as flats or villas. *However, as a result of this a new* commercial centre has yet to be established. Companies tend to move into accommodation on the periphery of what used to be the old centre of Cairo and this trend is accentuated by the capital's extreme traffic congestion.

Under existing law, accommodation in most buildings is offered as "furnished." This provides the landlord with the right to obtain vacant possession on the expiry of the lease period. Unfurnished tenancies provide the tenant with security of tenure in perpetuity. Needless to say, except for newly-developed property which may be exempt from this legislation, unfurnished tenancies are rarely offered.

By Western standards most lease contracts tend to be very uncomplicated. Many landlords and brokers still use a single-page document which can be bought for a few pennies at a local shop. Much of the property business transactions in Cairo are undertaken by brokers. As middlemen taking a fee from both sides, it is clearly in their interests to *obtain as high a rent as possible,* so be warned.

As a guide, the three main property categories are:

1—OFFICES. New air-conditioned blocks, built to Western standards, are now becoming available, with open planning and other facilities. These include such buildings as the Cairo Centre, the Sarwat Building and the Arab African Building, all in or near the city centre, Abu el-Fida Building (Zamalek), Nile Tower (Gize), and the Cairo Plaza (Bulaq). Companies have been slow to take up space in these premises.

This is primarily because the cost in comparison to the alternative of converting residential accommodation is high. In addition, there is the real fear that the management will fall far short of the requirements necessary to maintain the building in a condition acceptable to the tenant—particularly having paid a premium rent for purpose-built prestige premises.

Asking rents for such accommodation varies between $200 to $300 per square metre a year, and where demanded there is also a service charge of anything between $12 and $36 per square metre a year. Both payments are normally quoted and paid in hard currency.

2—RESIDENTIAL. The areas most favoured by expatriates in Cairo are Zamalek, Giza, Dokki and Mohandessin (all near the centre). Ma'adi is another popular residential suburb, about 12 km south of the city.

Heliopolis, near the airport, is sometimes chosen by those with business requiring frequent air travel or situated near that part of the city. The two best schools, the British International in Zamalek and the American School in Ma'adi, may also affect the choice of location.

Rents vary considerably, but in general in the better areas a good two to three-bedroom apartment would cost a minimum of £E800 per month. A good villa could cost upwards *of £E1,750 per month.* Landlords are normally looking for Western expatriate tenants.

During negotiations such charges or extras as electric water heaters, decoration, new linen, fridge and freezer, and so on can be included as part of the deal.

3 — INDUSTRIAL / WAREHOUSING: Companies requiring these facilities face perhaps the largest property problem in Cairo since, at present, no market exists to lease modern functional buildings for this purpose. Permission to build in or near Cairo will be very difficult to obtain because it is Government policy to locate new industry in satellite towns in an attempt to relieve the population pressure on greater Cairo.

Many multinational companies are finding this a serious drawback. Expatriate staff tend to take against moving into locations which have few leisure activities, if any, and against commuting long distances to *and from Cairo.*

George Walton

George Walton, who has worked in Egypt for some years, is an Associate of the Royal Institution of Chartered Surveyors.

Tourism picking up after bleak winter

OF EGYPT'S four main foreign *exchange earners the one most* visibly affected by President Sadat's assassination and its aftermath, has been tourism. Through the autumn and winter months hotels were half empty, airlines were flying in only a quarter full, or less, and Nile boats were offering cut-price cruises. Tourism was further hit by the Aswan earthquakes and the cruise-boat fire which resulted in the suspension of 14 boats—some in mid-cruise.

In the last three months of last year there was a drop of nearly 13 per cent in the number of tourists, so that the year as a whole showed a growth rate of only 10 per cent. To the 1.38m of the previous year there had been an increase of over 17 per cent—a rate maintained in the nine months before the assassination.

The first two months of this year were little better with the number of tourists down another 2.5 per cent. But since then business appears to be picking up a bit. In March, the latest month for which figures are available, there was an increase of 2 per cent. Modest it may be, but it was the first increase since September and the upturn appears to be continuing.

There certainly seem to be more tourists around in Upper Egypt, where hotel capacity is more limited and it is difficult to get a room in the better hotels. It is easier to do so in Cairo but that in part is due to the 2,000 additional rooms which opened last year. Hoteliers and airline managers have a less worried look on their faces but few expect the business to get back into its stride until next autumn and the worsening Gulf war could threaten even that.

Belief

A useful boost, which might help offset the bleak winter months, is the belief that there will be a sharp increase in Arab tourists following the return of Sinai and indications of improved relations between *Egypt and the Arab world. Even* last year the Arab tourists were back in force.

In official revenue terms, however, they may have less impact. Arab tourists prefer to live in villas and apartments rather than hotels. Nevertheless, they do spend a lot of money in casinos, in nightclubs and on other forms of entertainment. But they are well practised users of the black currency market which is already draining so much official revenue. They also bring with them Egyptian pounds smuggled out by Egyptians. In an attempt to curb this the government recently banned any further *printing of £E100 notes.*

In another move aimed at stemming the loss of revenues, tourists are now required to pay their hotel bills in foreign currency. They must also change the equivalent of $150 on arrival. It is also claimed that currency declaration forms are being collected more rigorously but there is little evidence of this. Last year tourism revenues, *as measured by official bank* transfers, were down by as much as 21 per cent, at £E315m.

Cairo hotels are again claiming 90 per cent occupancy—at the turn of the year some were down to as low as 50 per cent and under. This was previously unheard of in Cairo, but the days of near 100 per cent occupancy and the profit levels which went with that may have gone for good. Another 1,600 or so rooms are due to open this year, and the pile drivers indicate that there are a lot more to come—though some hotel chains appear to be having cold feet.

Promotion

Increased competition, combined with the bleak winter months, is already forcing hoteliers to do more promotion. *One hotel operated by a well*-known chain has even appointed a sales manager for the first time. The hotels have also been given six *months by the Ministry* of Tourism to ensure that their star ratings conform with international rather than Egyptian standards.

A further indication perhaps is that the new five-year plan prepared since the appointment *of Mr Adel Ther as Minister of* Tourism and Civil Aviation in January, sets rather more modest targets than those of his predecessor, Mr Gamal Nazer, whereas Mr Nazer was predicting that the number of tourists would reach 4m in 1985, generating revenues of $2bn, the new plan sets targets of 2.5m tourists by fiscal 1986-87, generating revenue of $2bn—including that changed outside the official system.

While Mr Nazer forecast that Egypt would have between 50,000 and 55,000 rooms by 1985, the new plan anticipates a total of 41,000 rooms in 1980-81. At present, Egypt has 20,000 hotel rooms and the ministry claims that half of the 21,000 new ones required are already under construction.

Public sector companies like Egoth (the Egyptian general company for tourism and hotels) and Misr Hotels will not be investing in new hotels. As a result their plans to expand the Sheraton Hotel at Hurghada, *and build another Sheraton at* Luxor, expand the Club Mediterranee at Megawish, and build a Marriott Hotel at Luxor, have *been shelved.*

The same applies to a project to pull down the San Stefano in Alexandria and replace it *with a new hotel. The Luxor* Hotel will not be expanded but the existing rooms will be renovated. Egoth is also pulling *out of a project with Triad to* build a massive 1,200-room hotel, office and service apartments complex on the corniche *near the Cairo Plaza.*

This, like the other projects may yet go ahead, but will need outside financing to do so. There are hopes of interesting investors attending this week's EEC Investment Conference at Alexandria.

Government finance is being allocated to complete existing projects by the public sector companies. Some £E57m has been *allocated in the coming* financial year's budget. Another £E100m is needed.

Meanwhile, there is an *impetus to develop new areas* for tourism. Egypt is anxious to limit the growth of tourism in Luxor in a rather belated effort to preserve its achaeological sites. A study by Arthur D. Little is now in the final draft form.

As an alternative to Luxor, the Ministry is pressing ahead with developing Minya, which is 250 km south of Cairo. Work on a feasibility study starts this month — by Fosweco financed by an Italian Government grant. The study is expected to take five months to complete, after which it is hoped to attract foreign finance to develop the necessary infrastructure.

But in the meantime the ministry is going ahead with developing two marinas, one at Beni Suef and the other at Minya, due for completion by the end of this year. In future, all permits for new cruise boats will be granted only to those sailing from Cairo to Minya through Beni Suef. No new cruise boats will be allowed in the Luxor Aswan area.

Simultaneously, Egypt is *attempting to develop its beach* tourism in the Red Sea area and the newly-returned Sinai areas on the Gulf of Aqaba. It is still evaluating existing Sinai facilities. Although half a dozen or so companies have provisionally reserved sites in the Red Sea area, no proposals have been finalised yet.

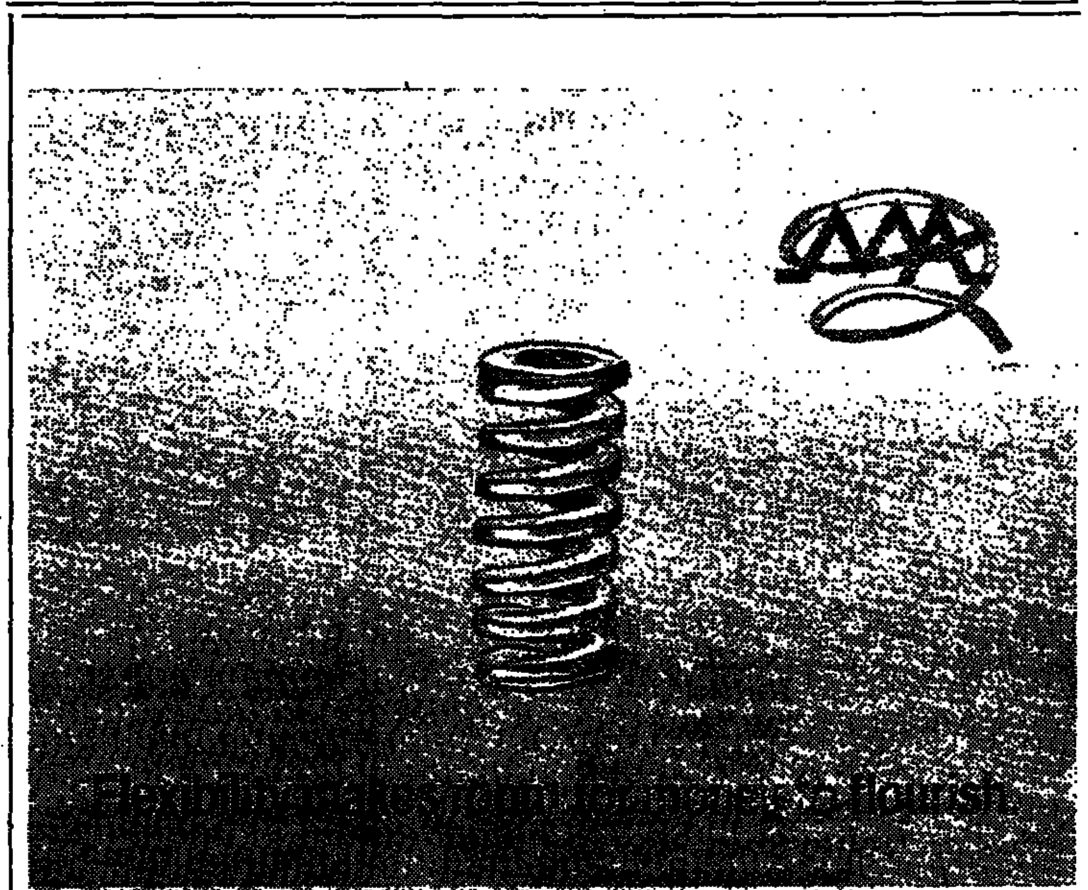
There are plans too for developing the Mediterranean coast, partly as an alternative *to Alexandria for domestic and* Arab tourists but also for European beach tourists, though here the competition from other countries will be fierce. Development would take place both West of Alexandria where four tourist villages are planned—and along the north coast of Sinai around El Arish, where a 150-room, three-star Marriott Hotel is due to open this year —not, as was planned, in April.

*There are also ambitious pro*jects for Alexandria—perhaps over-ambitious given that it is rather short on unpolluted *beaches and still has only* limited business traffic. Sheraton, which is managing a hotel which opened there last year, *is to manage another 300-room* hotel, while Meridien will manage a similar-sized hotel due for completion in 1984.

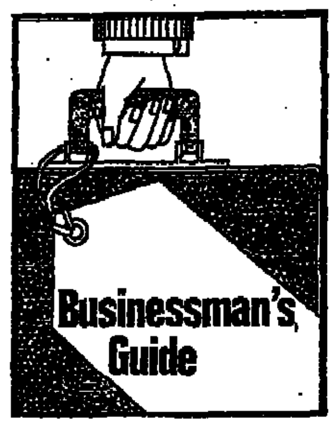
Eight international consortia have been shortlisted to develop the Montazah area and a decision is expected any day.

Lake Qarun *in the Fayyoum* Oasis 100 km south of Cairo is also being developed. Some of the work involves the renovation of *once-famous* hotels such as the Auberge (to be managed by Oberoi) and the Pavillons du Chase (to be *managed by Swiss Chalets of* Canada). Initial phases of these developments are due to be completed within the next year.

Margaret Hughes



You need to be patient, tolerant and optimistic to do business in Egypt. But there are good hotels, excellent restaurants, and there is plenty to see



BUSINESS IN Egypt is best done during the period between September and the end of June, when working hours are more stable. The public and private sectors operate from 8 am to 3.30 pm, banks from 9 am to 2.30 pm. Friday is the day off for the private and public sectors while most joint ventures and foreign banks take Fridays and Saturdays.

Shops close on Sundays and some tend to close also on Saturday afternoons. During that period the weather is at its most pleasant (with the exception of the Khamasin—dusty wind—occasionally between March and May), though it starts to get hotter by the end of May.

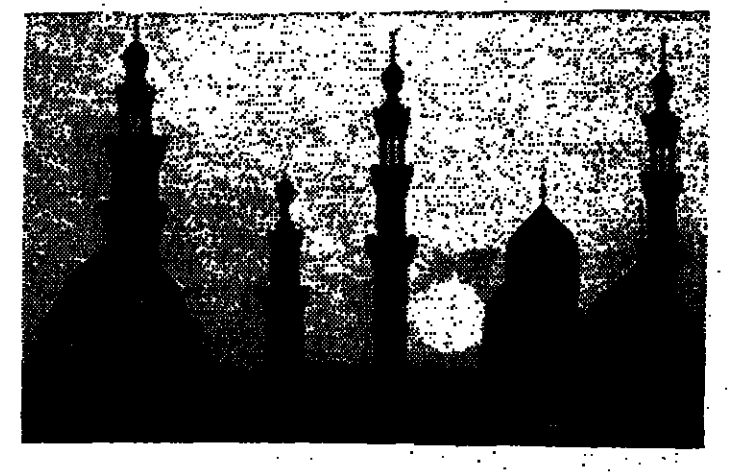
Summer vacations are usually in July and August. Unsurprisingly, it is about this time that the boss usually leaves his second man to run the shop while he takes his leave. Besides, weekends tend to be longer since almost everybody escapes the heat by going to the beach.

It is not advisable to come to Egypt this year during the period June 22 to July 22 which will be Ramadan, the Moslem month of fasting, when Moslems fast from dawn till sunset (in 1983 it will be approximately June 6 to July 6).

Work is very slow, people tend to be bad-tempered and, most of all, working hours tend to shrink. However, if you have to come during that time, do not be offended if your host is a Moslem and refuses to share a drink with you or even offer you one. Make sure not to arrange appointments between 5 pm and 7 pm, because sunset will be around six, and that is when Moslems break their fast. They usually give themselves an hour before and after sunset to rest.

You will, in general, need to be intensely patient, tolerant and optimistic, if you intend to do business in Egypt. Arranging appointments with officials can be a problem unless you make sure to fix them in advance before coming. Try to conquer inevitable frustration if they are postponed or cancelled. Make sure you confirm them at least twice before actually going to the meeting, and best one day before arrival.

Dress is not essentially formal, plain trousers and a shirt will do, but jeans are not recommended. Get into contact with a locally registered agent to present your offers and tenders. Do not hesitate to do so, it will make life easier for you, especially if he has good contacts. Thus it is better to have a representative in Egypt who will know all the whereabouts, have a wide range of good personal contacts and report to you regularly. He would also arrange all appointments and confirm them with you.



TRANSPORT

TRANSPORT can be a considerable problem in Egypt. Rule number one: don't jump into a public bus, otherwise you'll get squashed. Taxis are mainly available from hotels. But, since the meter seldom works, make sure to negotiate firmly the cost before getting into the taxi—with the help of the tourist police if necessary.

The latter automatically records the date, time, destination and taxi number of taxis from hotels. This is to ensure that you will arrive safely and in good shape.

Drives within the city centre should not exceed E£1. Limousines are also available, they charge E£4 from the airport to down-town Cairo and E£5 to Giza. They could also be hired on a daily basis of 12 hours, for E£30. In addition there are rent-a-car agencies such as Budget, Bita, Avis and Hertz, which have branches all over Egypt.

If you have any intention to drive, a Fiat 128 is ideal considering traffic and parking in central Cairo—it will not cost more than E£75 a week with a minimum of 100 km/day. English-speaking drivers are also available for E£5 to E£7 a day. Hire one and you save yourself a lot of mental anguish driving in Cairo.

The fastest means to get to Alexandria is by the daily Egyptian flights from Cairo International Airport. Fares range from E£21 for a one-week ticket to E£23 for an open ticket. Trains are second best, though a bit slow.

Avis. Tel 27081. Telex 92657
Bita. Tel. 746159. Telex 383
Budget. Tel 800070. Telex 94272
Hertz. Tel. 22948. Telex 92376
Limousine Misr. Tel 747226-747635

CURRENCY

To begin with, it is forbidden either to bring in or take out the Egyptian pound. Currency exchange is best, easier and faster at banks in hotel lobbies, so don't waste your time in big bank branches.

Remember to save E£4 for airport tax before leaving Cairo airport. If you still have Egyptian pounds, either get rid of them in the tax-free shop or exchange them at bank branches at the airport. The official rate to the sterling, bought at 149.8 and sold at 151.3 (rates at May 20).

TELEPHONE

They have got slightly better but still don't lose your temper. Dial the number again and again. This is how it works. Keep on after it until you get it. The telex system is much more efficient—local and international telex services are provided in most hotels.

VISAS

It is best to obtain a visa before arrival, from the Egyptian Consulate at 19 Kensington Palace Gardens, London W8, Tel 01-229 8818. However, it is no problem getting it from Cairo Airport on condition that you change currency equivalent to E£150. Visas are valid for three months and could be extended locally. Registration with the Ministry of Interior must be done within seven days of arrival; most hotels will do that for you.

TIME CHANGE

Egypt is normally two hours ahead of GMT. However, summer time started from May 1 until the end of September, thus subject to further changes, three hours ahead of GMT with the exception of the month of Ramadan every year.

BUSINESS CONTACTS

British Embassy and Consulate in Cairo
2 Ahmed Raghim St.
Garden City.
Tel: 20850/2. Telex 94188
British Consulate in Alexandria
3 Mina St.
Roushdy
Egyptian Federation of Chamber of Commerce
4 El-Falaki Sq.
Cairo. Tel 31136-22897
General Organisation for Industrialisation
6 Khalil Agha St.
Garden City
Tel. 24640-25125-903444
General Authority for Investments and Free Zones
8 Adly St., Cairo.
P.O. Box 1007 Cairo.
Tel 906795-906804.
Telex 92235
Central Bank of Egypt
31 Kasr el Nile St.,
Cairo.
Tel. 751529-751667-751688
Telex 714386-92237.
General Authority for Alexandria Port
66 Horriya Avenue,
Alexandria.
Tel. 31640-34321-34323.
Telex 54310.
General Authority for Imports and Exports Control
1 Ramses St., El-Tamlier Bld.,
Maarouf, Cairo.
Tel. 758631-758138-756031.
Telex 93318.
General Authority for Exhibitions and International Fairs
Exhibitions Land, Gezira, Cairo.
Tel. 810604.
or Exhibitions Land,
Nasr City, Cairo.
General Egyptian Co. for Tourism and Hotels (EGOTH)
4 Latin America St.,
Garden City, Cairo.
Tel. 22914-22915.
Telex 92363.
Egyptian General Petroleum Corporation (EGPC),
1 Osman 'Abdel Hafeez St.,
Nasr City, Cairo.
Tel. 603087-603414-603613.
Telex 92049.

RESTAURANTS

ELEGANT restaurants in Cairo will offer you a three-course meal, excluding drinks, at about E£30 to E£40 per head. Egyptian wine is a passable alternative for imported ones, which seldom exist. A bottle costs E£6. The local Stella beer is very good, about E£1. The best of these elegant restaurants are the Palme d'Or at the Meridien, Alaa El Din at the Cairo Sheraton and King Tut Grill at the Heliopolis Sheraton.

High in the second class would be the Rotesserie at the Nile Hilton, Swiss Air Le Chalett and Borsalino, which is both a discotheque and a good restaurant. Meals would cost about E£25 to E£35. Less expensive meals are offered in all hotel cafeterias which operate on a 24-hour basis. Good restaurants like the Swiss Air Le Chateaux, Taberna Espanola at the Cairo Inn, Arabesque and Carrol's in down-town, the Indian restaurant at the Mena House, the Cairo Cellar and La Terrasse at the President Hotel in Zamalek have meals not exceeding E£10 per head. Still less expensive are outdoor restaurants like Andrea and La Rose near the Pyramids specialising in grilled chicken and Oriental mezza.

Don't forget to try Egyptian food, Fool and Tameyya which are worth a try and very cheap. The former is a kind of bean while the latter is crushed green beans mixed with herbs, made into paste then fried in oil. They are best served at Felfela in Talaat Harb St. and El Tab'I in Tawfikeya Sq. Both in down-town.

Leisure places to enjoy time off

IF YOU HAVE any spare time make sure, of course, not to miss the Pyramids, the Sphinx and the sun boats all in the same area, Giza. Take a drive to the nearby Kerdasa or Haraneya villages which specialise in hand-made tapestries, rugs, Galabeya dresses and pottery. Just opposite the Nile Hilton, in central Cairo, the Egyptian museum, exhibiting various ancient Egyptian antiquities, is also essential visiting.

As for Coptic Cairo, the Coptic Museum and the Mualaqa Church are a must, besides the synagogue in the same area.

A walk within the old city of Islamic Cairo, from Bab El Fetouh to Bab Zuwayla, a stop by the Khan el Khalili oriental bazaar, all within the same area, will give you an idea about the beauty of Islamic architecture in the city of Cairo.

In addition, of course, the visitor should go to the Islamic Museum, close to Bab Zuwayla, exhibiting antiquities representing the various ages of Islamic civilisation and culture in Egypt.

A more relaxing way to enjoy your time off is a felucca ride on the Nile or lunch or dinner on a Nile cruise—on either the Smarabee or the Nile Pharaoh which will cost you about E£15 to E£18 per head. The former is operated by the Meridien Hotel and the latter by the Mena House Oberoi.

The sound and light shows by the Pyramids and the Sphinx are highly recommended. Shows start at about 7.30 pm Mondays, Wednesdays and Saturdays and are performed in English.

All big hotels offer oriental and western shows at their nightclubs, besides the Nile Hilton and the Cairo Sheraton gambling casinos, where foreigners only are allowed and only foreign currency is used.

As for Alexandria, the Greco-Roman Museum, the Roman amphitheatre, Pompey's pillar and the catacombs of Kom el Shugafa are worth seeing. In addition there are El-Alamein war cemeteries, which are 65 miles west of Alexandria provided you have the time.

A swim in the Mediterranean is recommended in summer. The Montazah private beach is the best, but you will have to pay an entrance fee of E£1 on Friday and Sunday and 75 piastres on normal weekdays. One important tip, formal dress is advisable for women anywhere in Egypt.

Best night clubs and discos are El Fanar of Montazah Sheraton, the Dolphin of Palestine Hotel, San Giovani, Santa Lucia and Lard's Inn. The first three offer belly dancer shows.

CHOICE OF HOTELS

HOTEL BOOKINGS have, to some extent, become easier than in previous years but it is still advisable to book at least ten days in advance, either by telephone or by telex. Most hotels belong to the five- and four-star categories. At present, room rates of the former range from E£41 to E£47 for a single, and E£45 to E£53 for a double room. The two Hiltons, the Nile and the Ramses, both overlooking the Nile, are a five minutes walk from down-town Cairo. The former opened its annexe with 66 more rooms to add to its 400, and the latter with 810 rooms is now in almost full operation.

Further to the south is the Meridien located in the Garden City business area, also overlooking the Nile, and a 20 minutes walk and drive to central town.

In Giza Governorate, 20 minutes drive from the centre, is the Cairo Sheraton. Still in Giza, but further away, is the charming Green Pyramids Hotel. The hotel offering the best ambience is the historic Mena House Oberoi, which faces the magnificent panorama of the Giza Pyramids and has the only hotel golf course and horse-back riding in Cairo.

Traffic

Closer are the two Holiday Inns, the Pyramids and the Sphinx, then the Jolie Ville, and the new Radison Oasis Hotel. The main disadvantage of hotels in that area, is that they are at least 30 to 40 minutes away from central Cairo, and this, when the traffic is bad, can be an optimistic estimate.

Closer to the airport are the Sheraton Heliopolis, El-Salam Hayyat, Hayyat Prince and the Concord. The Sixth October (Ramsis) flyover has made it easier and faster to get you into central Cairo, about 20 to 30 minutes.

Four-star rated hotels are the President in Zamalek, Cairo Crillion in Agouza and Cairo Inn in Mohandissein. All take about 10 to 15 minutes to get into down-town. They charge E£21 to E£35 for a single and E£30 to E£40 for a double-room. During rush hours, which are usually from 7 to 8.30 am and 12 noon to 4 pm, add 15 to 20 more minutes to reach your destination.

Almost all hotels offer international dialling and telex services, besides the local ones. Some of them, like the Cairo Sheraton, Hilton, Green Pyramids and the Meridien include business centres offering private, well-equipped offices and conference rooms as well as secretarial assistance. Some even arrange your business lunches, dinners and entertainment.

Hotels in Alexandria are, however, fairly few, but the Montazah Sheraton, now in full operation offering a magnificent panorama of Alexandria from its top floor and a swimming pool, is the best hotel there. It charges E£51 for a single and E£57 for a double room.

Second on the list, by some degree, is the Palestine Hotel, located within the Montazah private beach. It charges about E£25 for a single and E£37 for a double. Both hotels are about 30 minutes drive on the corniche from the centre of Alexandria.

Recommended four-star are the San Giovani and Cecil. They both charge about E£23 for a single and about E£28 for a double. The former is 15 minutes away from town while the Cecil is in the centre.

Egyptian films dominate the Arab market

ENTER A cinema from Casablanca to Khartoum or switch on a television set in Muscat or Baghdad and the probability is that the show you will see was made in Egypt. Since it made its first film in 1927, Egypt has dominated the Arab film market, producing as many as 66 films a year.

This dominance was for some time jeopardised by the threatened imposition of an Arab boycott at the start of Egypt's peace negotiations with Israel. For a while the future of the industry looked bleak. Any hint of contact with Israel was enough to put individual actors and directors on the blacklist.

Arab importers, however, quietly dropped their boycott when the Egyptian film-makers' guild firmly rejected normalisation of relations with Israel and none of the planned co-productions materialised.

The setback was therefore brief. By 1980, Arab backing for feature and television films was arriving through normal channels. Funding was again easily available for marketable films—at an average budget of E£100,000—from such sources as Kuwait or Saudi Arabia, though two films are still waiting for money promised by Iraq, still heavily committed to its war with Iran.

Despite the reconciliation, the film industry is beset with problems. In 1978, at the peak of Arab opposition to the peace initiative, 51 feature films were made in Egypt but last year there were only 41. The video boom has reduced demand both in the motion picture and television markets and the industry has yet to reorganise to face the competition.

The present solution is to produce films that are exactly what they set out to be—a light-hearted glimpse of an unrealistic slice of life. Shown in local picture houses and sent to Arabic-speaking countries abroad, these gross for the producers an average profit of E£20,000—an adequate, if unexciting, return.

A trend in recent years has been for producers without experience in the film industry to become involved in film making. They have nothing to offer but their business acumen and they have no interest in backing a picture which, though it might be acclaimed by critics and at foreign festivals, might not prove a steady box office draw in the usual markets.

Noisy

In Egypt there are still fewer than 200 picture houses and revenues are limited. The cinemas are usually full but the audiences consist almost entirely of noisy young men and there is nothing to attract the serious film-goer. Many of the better made films are never shown on general release and can only be seen at private screenings or occasionally on television.

The National Film Centre, affiliated to the Ministry of Culture, is under the direction of Dr Mustafa Mohammed Ali. Dr Ali's task is to rally support for festivals, documentaries, experimental films, cartoons, educational films and, most especially, films made for children. The film centre's annual budget of E£150,000 does not stretch far and even the short films which are produced have to fight for a showing.

Dr Ali and his colleague, production organiser Mr Ahmed Sami, are hoping to persuade cinemas to run one of the centre's documentary films with each main feature. Television time is also being sought.

But these efforts have so far been hampered by a lack of co-ordination between the various departments responsible for entertaining and educating the public.

New directors have great difficulty finding a chance to offer their talents. Graduates from the Cinema Institute make a five-minute film as part of their final examination. These are shown to the examining board—and never seen again.

Many budding directors will never make another film, although the film centre was able to assist seven or eight new directors last year in making documentary films.

Once a film is finished there is a new problem. The director himself must arrange distribution and fight for the film's sale.

His chances of getting a showing on television are reduced by foreign competition. At present, the Thames production "Upstairs, Downstairs" is running every evening on Egyptian TV.

Two Egyptian films were shown in the commercial section at Cannes last month: Ra-afat El-Meehy's "Eyes Can't Sleep," and "Houseboat 70," directed by Khairy Bishara.

"Houseboat 70" tells the story of a documentary film director, in the Nasser era, who uncovers a crime while filming harsh conditions in a cotton factory. The message is that intellectuals talk a lot but prefer to do nothing.

Jenny Jobbins

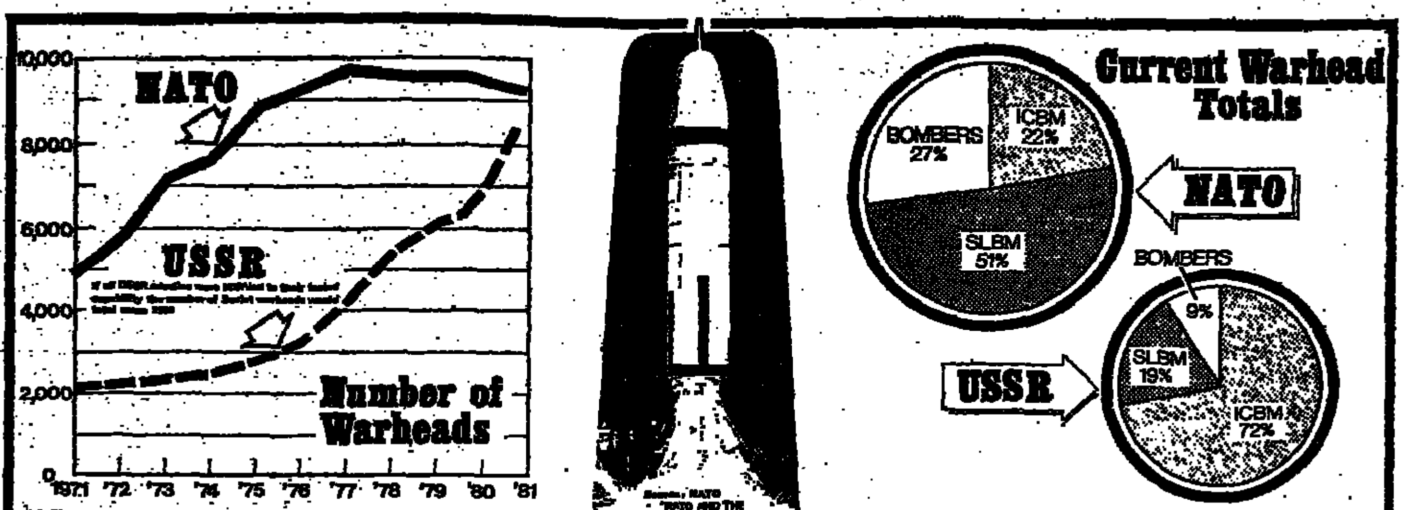
FOREIGN AFFAIRS

An arms initiative that matters

By Ian Davidson

EVER SINCE his election to the presidency, the world has been waiting and hoping for Ronald Reagan to come up with proposals for limiting strategic nuclear weapons, in place of the rejected SALT II treaty. Yet when he finally did so, almost exactly a month ago, the event was singularly under-reported, and in the meantime it seems to have disappeared, as far as the European media are concerned, into some kind of limbo of unreality. For all the attention it has got, it is as though it never happened.

Not surprisingly, the Americans are bewildered and a little upset at the let-down. To some extent, they blame themselves: the President chose the idiosyncratic venue of graduation day at Eureka College, Illinois, to launch his initiative, and for once the Administration's high-pressure public relations machine failed to function properly. Moreover, anxieties over holocausts yet to come have to some extent been drowned out by wars actually in progress—the Falklands crisis, the dramatic turn in the Iran-Iraq conflict and now the fighting in South Lebanon. Finally, some element of public anti-climax was always inevitable: it is one thing to open negotiations, quite another to conclude them: SALT II took seven years to negotiate. Nevertheless, the



Martyn Barnes

Substantial cuts in strategic missiles on both sides

Americans regard the Reagan proposals as a major initiative, and in this they are surely right.

The two SALT treaties may have done something to stabilise the nuclear arms race, but they did little or nothing to put it into reverse. What distinguishes the Eureka plan is that it aims at very substantial reductions in the numbers of strategic missiles on both sides. We cannot be confident that the Russians will accept the proposal even in principle, let alone in detail; their immediate reflex was to blow a raspberry at it. But the alacrity with which they have agreed to open negotiations with the U.S., before the end of this month, is perhaps an encouraging omen. There may, of course, be another explanation: neither the Americans nor the Russians wanted to risk being pilloried as warmongers at the second United Nations Special Session on Disarmament which opens today.

It used to be said that the major arms control achievement of the 1970s lay not in the SALT treaties themselves but in the 1972 ABM treaty, which limited the superpowers to two (later one) anti-ballistic missile sites each. This would promote strategic stability, because both sides would be vulnerable.

Since then, however, the proliferation of multiple warheads on increasingly accurate missiles has transformed the situation, to the point where the two sides have so many more warheads than missiles that they can in theory attack each other's missiles in their silos. The U.S. is potentially much more vulnerable to this threat than the Soviet Union, because of the differences in the way the two sides have structured their forces; the most accurate missiles are land-based, rather than sea-launched and Russian land-based missiles are much bigger than the U.S. Minutemen. Also, the Russians have a far higher proportion of their nuclear arsenal in land-based silos.

In theory, the Soviet Union could take out all the U.S. Minutemen with only a fraction of their missiles, but the U.S. could not take out all the Russian missiles with its Minutemen. This so-called "window of vulnerability" is highly theoretical, and leaves out of account America's enormous retaliatory power in bombers and submarine-launched missiles (which may soon approach the accuracy of ICBMs). Nevertheless, to the Americans even this theoretical vulnerability seems dangerous and destabilising.

To enhance stability, Reagan wants the numbers of warheads on all ballistic missiles (sea-launched as well as land-based) to be reduced by at least a third, to equal numbers on both sides, in such a way—and this is the important point—that neither side has more than half its warheads on land-based missiles.

In effect, this would mean a reduction both in the numbers of the most aggressive-seeming missiles, and in the numbers of vulnerable silo targets. Its disadvantage for the Russians is that it would involve them in an expensive and time-consuming process of rearranging their force structure, so as to put more missiles on submarines. But they might think it was worth considering, if they believed that a more symmetrical and more stable strategic deployment had a chance of calming the Americans. The U.S. can never hope to regain strategic superiority over the Soviet Union; but the Russians know that an unrestrained arms race would be even more damaging for their debilitated economy than it would for the U.S.

There was a time when some people believed that defence spending is inherently good for you, by promoting growth, employment, advanced technology—that sort of thing. The "evidence" for this notion was deemed to come either from the rearmament which preceded World War II, or from the comparative study Defence and Economic Growth in Developing Countries, published by Emile Benoit in 1973. The report of the Palme Commission on Common Security, published last week as a contribution to the UN Disarmament Session, firmly rebuts this proposition, and argues persuasively that defence spending is almost certainly bad for you on every possible count. And it is particularly bad for you when it is concentrated, as it increasingly is in both developed and developing countries, on the acquisition of ultra-sophisticated equipment.

Military spending is likely to create fewer jobs than non-military public consumption, and the jobs it does create will be skewed in favour of those, like engineers and technicians, who already have high wages and low unemployment. Military spending is inflationary: according to Reagan's Council of Economic Advisers, the projected increase in weapons procurement is likely to lead to higher relative prices, delays in the delivery of military goods, and some crowding out of private investment.

Not merely does military spending appear to have a negative effect on investment in OECD countries, but military research seems to have a negative effect on civilian research: in Britain, France and the U.S., where defence accounts for a large proportion of publicly-financed research, civilian R & D was static or falling as a share of GDP from 1967 to 1979, whereas in Germany and Japan military research is much lower, and civilian R & D increased by 50 per cent as a share of GDP.

"Even a cursory examination," says the Palme report, "suggests that those countries whose military spending has been relatively high over the post-war period—the U.S., the Soviet Union, the UK—were not best equipped to withstand the economic troubles of the 1970s."

Not surprisingly, the ultimate objective espoused by the Palme report is general disarmament; what is interesting is the way its immediate priorities differ from those implied by Reagan's various arms control proposals. Almost in passing, it calls, as a medium-term measure, for reductions in U.S. and Soviet strategic nuclear forces, but its most urgent proposals are those designed to reduce the risk or the consequences of war in Europe: the negotiated reduction of Nato and Warsaw Pact conventional forces to equal levels, together with the withdrawal of all battlefield nuclear weapons from a zone 150 km either side of the Iron Curtain.

Under Nato's doctrine of flexible response, battlefield nuclear weapons have been deemed essential as a makeweight for the Warsaw Pact's conventional superiority, and as the first step in the ladder of deterrence leading up to the strategic U.S. forces. But the trouble with these very short-range weapons, it is being increasingly recognised, is that it is hard for political leaders (or military leaders, if it comes to that) to control them in the heat of battle, that they are liable to be over-run by an advancing army, and that their forward presence is an invitation to nuclear attack in the event of hostility. If there is any validity in the notion of controlled nuclear war—the Palme Commission shares the widespread scepticism on this point—it is ill-represented by front-line nuclear weapons.

It will be difficult, however, for Nato to reduce its dependence on nuclear weapons unless it perceives a better balance in conventional forces in Europe. Unfortunately, negotiations on Mutual and

Palme argues that defence spending is bad for you

Balanced Force Reductions have been in progress in Vienna for a great many years without leaving first base. President Reagan is expected to announce a reformulation of the Nato position at this week's Bonn summit, and the Palme Commission claims to believe that an agreement could quickly be within reach, if only governments would put their minds to it. But since there is still no agreement on how many troops are currently on the ground on either side, scepticism seems in order.

On the record, it is hard to believe in a reversal of the arms race which, like deterrence itself, is based on mutual fear. On the other hand, it is also hard to believe governments can for long fail to respond to the pressures for a rethink. "It is long past time," says the Palme Commission, "for all governments to respond to the popular urge for true security. If they fail to meet these expectations, we will all be the victims of their folly."

Lombard

Who should fund foreign students?

By Michael Dixon

POOR COUNTRIES do themselves more harm than good by adopting western educational conventions; particularly in requiring academic certificates for entry to well paid jobs, said a World Bank report* in the mid-1970s. The more employers insist on such certificates, it added, the greater the demand for academic education.

"The upward push of demand reinforces the built in tendency of education at any one level to be preparation for the next. As a corollary the content becomes more theoretical and abstract, and less practical; experience drawn on is more universal and less local; and cognitive or purely mental skills are emphasised over attitudes and manual, social and leadership skills. This education is dysfunctional for most types of employment . . . and for playing other roles needed in a developing society."

In the World Bank's view, therefore, Britain would be conferring a dubious blessing on economically backward nations by taking up the proposal** published yesterday by the Overseas Students Trust, an independent charity formed by big British companies.

The proposal is that an extra £34m of public funds a year should be spent on scholarships for a further 15,600 foreign students. Most of the money — of which £15m would be new public expenditure, the rest being diverted from other overseas aid and export promotion schemes — would pay for degree-level and postgraduate studies in universities and polytechnics.

The trust's case is that its scheme would repair some of the damage arguably done to Britain's interests abroad by the Government's decision to raise sharply from 1980 the fees of most overseas students in universities, polytechnics and colleges. The consequences have been a fall of 16 per cent to 60,900 foreign students at such institutions, and an estimated saving to the taxpayer of £170m a year.

But by confining its policy on overseas students (as indeed on education in general) to cutting public spending, the Government has left at risk the potential benefits of playing educational host to young foreigners. The benefits are considered to be of three main kinds.

One is economic, from a supposedly greater inclination to buy British among overseas managers who have received their higher education here. The second is political, from similar loyalty among foreign students who have returned to high ministerial or diplomatic positon. The third is academic, from research done here by outstanding overseas scholars and the international leavening their presence gives to the education of home students.

It is time, the trust says, for Britain to invest in selective scholarships. Only part of the investment would be used to attract the students from the countries most likely to provide the three kinds of benefit. Scholarships would also be available in countries which deserve British aid because they are dependent, have strong Commonwealth associations, or are poor.

But just as the World Bank cast doubt on increased academic education as a way to help poor nations, a report which the trust itself published last year severely questioned the same prescription as a wise way of promoting overseas trade. The report on the costs and benefits of foreign students was written by Professor Mark Blaug, the London University educational economist, who asked:—

"Who is to say that factory visits and short in-plant training courses, geared to particular engineers, technicians, scientists, bankers, ministry officials, etc., might not achieve the same stimulus to British exports at a lower cost than full-time study in a British tertiary educational institution?"

Who is to say, either, that the same might not be true of promoting political friendship abroad? And since the academic kind of benefit would be predominantly to the educational institutions themselves, there seems no good reason for extra public spending to pay for it.

* Education Sector Working Paper, December 1974. World Bank, 1818, H. Street, NW, Washington DC.

** A Policy for Overseas Students. Overseas Students Trust, 14, Denbigh Street, London SW1V 2ER.

Letters to the Editor

The schismatic effect of current cost accounting

From Mr P. Payne.

Sir,—Lex (May 27) castigated the heretics who believe that SSAP16 is not the true gospel.

As a heretic, however, I do not believe that your columnist has ever had the misfortune to generate current cost accounting figures and realise the patent absurdities which are inherent in both the practical operation and the concept of inflation adjustment.

There is the problem of obtaining appropriate series to index costs. In the UK this is simple, but to obtain appropriate international indices is virtually impossible for many countries. Moreover, the CSO booklet on the subject, published in 1978, is now sadly inadequate.

There is the well documented problem with the definition of the gearing adjustment to which no universally satisfactory solution has been proposed.

There is conceptual difficulty of indexing historical costs of fixed assets to approximate future replacement costs when, due to technological advances, the nature of new capital will be significantly different from existing fixed assets.

The much vaunted aspect of CCA in providing comparable data across different companies and different industries is a chimera. Even your sophisticated analysts mention, as a statement only, CCA profits in only four out of 12 UK company reports on May 27. I do not accept that the CCA figures provide the majority of shareholders with any useful additional information not obtainable from historic accounts. Surely even the most naive can deduce that an established engineering company with a heavy industrial base of fixed assets will face greater replacement problems than, say, a recently established electronics company with few recently acquired assets.

It is my opinion that both the council of the Institute of Chartered Accountants and Lex are pursuing a religious symbol as elusive as the Holy Grail without hope of success.

P. I. Payne,
41 The Meadows,
Walberton, Arundel,
West Sussex.

From Mr S. Tilbrook

Sir, — That current cost accounting in general and SSAP 16 in particular should be strongly supported by Lex (May 27) was, of course, entirely predictable. It reflects the "informed" (or "establishment") view that such accounting is a good thing and that anyone who suggests otherwise is either stupid or is motivated by malice.

This is not a view one hears expressed frequently in industry and commerce where SSAP 16 is widely considered to be, at best, an expensive irrelevance and, at worst, subjective nonsense. It may improve the fee income of some accountancy firms but it has done and will do nothing to help companies manage their businesses better.

Those people who now proclaim, most loudly, the virtues of SSAP 16 were, in the main, the same people who tried to force through earlier proposals to completely replace the historical cost convention of accounting with the current cost convention. What chaos that would have caused.

Are we really expected to take seriously the statement that "subjectivity is preferable to false objectivity." Let us not mince words. "Subjectivity" in this context means thinking up the most suitable figures to include. Surely the job of accountants should be to prepare objective reports. Readers of those reports can supply the subjectivity when they make their own interpretations of those figures.

The proposers of the resolution are seeking to bring back some common sense and realism. I wish them success.

John Tilbrook,
Allebone & Sons,
Oakley Road,
Rushden,
Northamptonshire.

From Messrs. M. Haslam and K. Keymer

Sir,—Lex refers (May 27) to the "current cost accounting schism."

There need not of course be a schism if the resolution passed by Institute of Chartered Accountants members in July 1977 (that no system of CCA be made compulsory) had been accepted by the council. To adopt a tennis standard (golf has too complicated a scoring system for backwoodsmen "chartered" accountants from Burgess Hill) it was game, set and match to the anti-CCA lobby in 1977. The council summoned the aid of an "impartial referee" (the Hyde guidelines) and the score was adjusted in the council's favour.

Lex should review our correspondence files to see that opposition is genuine, well founded, thoughtful and from a variety of different sources. A "flat earth company chairman" is probably better able to judge the cost effectiveness of SSAP16 than all its authors.

It is unlikely that there will be another opportunity to play out CCA and it is therefore essential that all possible pressure is brought to bear by the determined and vociferous action of our supporters so that CCA may finally be laid to rest.

David Keymer,
Martin Haslam.
Keymer Haslam & Co,
4-6 Church Road,
Burgess Hill,
Sussex.

From Mr D. Holland

Sir,—Lex is entitled to his point of view (May 27) concerning current cost accounts and to poke fun at those whose view happens to be different from his own. One wonders however, whether he is up to a percentage of the take of the costs involved in auditing CCA.

Historically, inflation has been with us several times before, with each period of inflation being followed by a much longer period of stability. I cannot believe that we should help to encourage inflation by accounting for it.

"The prime object of accounting standards surely should be to achieve comparability." Progress in this area has been all too slow, and dabbling in subjective matters, such as CCA, will only cause further delay.

Any reasonably competent analyst can produce, should he so wish, his own CCA from the historical cost accounts. Virtually all the information is there or will be when the 1981 Companies Act becomes fully operational.

I sincerely hope that my "ill-assorted" fellow members of the Institute of Chartered Accountants will be sufficient in number to banish forever the useless hot air that is SSAP 16.

D. H. R. Holland
7/8 Warwick Street, W.1.

Terminological tautology

From Mr P. Yonatt

Sir,—One is surprised that someone with Bertie Ramsbottom's apparently classical education in "Greek and Latin verses" (June 2) should, notwithstanding the problems of scansion, dispute with the tautologous "the hoi polloi" not with "hoi polloi"!

Lansdown House,
Walberton, Arundel,
West Sussex.

Venezuela and Guyana

From the High Commissioner for Guyana

Sir,—Your Caracas correspondent reports (May 26) that the President of the leading opposition party in Venezuela, Accion Democratica, has suggested a compromise agreement to Venezuela's claim to more than two-thirds of Guyana under which "the disputed zone would be split between the two nations."

The far-reaching implications of this proposal are obvious. It means generally that any state can challenge an internationally recognised boundary, assert a claim to part of the neighbouring state, declare that a dispute exists, and then advocate a sharing of the so-called disputed area.

The proposal overlooks in this specific instance that the boundary between Guyana and Venezuela was settled under a treaty signed in February 1897 between Britain and Venezuela, and engaging considerable U.S. diplomacy. The treaty established an arbitral tribunal which met in Paris in 1899 and which, after 55 sessions of the most extensive examination, including oral and documentary evidence, of the history of some four centuries of settlement and control, delineated the existing boundary line.

The award of the tribunal was accepted by both parties, Britain and Venezuela, as a "full, perfect and final settlement" of the border issue. The boundary defined by the arbitral tribunal was later demarcated by the British-Venezuelan mixed boundary commission during 1901-1905, and was accepted by successive generations of British, Guyanese and Venezuelans and, indeed by the international community. Then in 1962, on the eve of Guyana's independence, Venezuela raised the question of the boundary and repudiated the validity of the arbitral award of 1899.

This existing boundary line between Guyana and Venezuela was established in a very formal way by an exhaustive juridical process. To declare it invalid after a long interval on grounds so far unsubstantiated, and then to propose a division of the considerable area alleged to be in dispute, if upheld, would undermine regional peace and security and constitute a serious threat to international stability.

Cedric L. Joseph.
3 Palace Court,
Bayswater Road, W2

Argyll launches offer to fund Allied Suppliers deal

Argyll Foods has embarked on the last phase of the acquisition of Allied Suppliers and has published the prospectus for the offer for sale by tender which will fund the majority of the £101m deal.

Having obtained a clean bill of health from the Office of Fair Trading and the consent of its own shareholders, Argyll will open the application lists for the offer on June 10. Dealings are expected to start seven days later.

The striking price of the offer has been pitched at a minimum of 85p and a maximum of 100p per share, which would raise between £81m and £95m.

The market capitalisation of the enlarged group will be £118m at the lowest end of the scale and £139m at the top. Profits, including £2.5m as the surplus on the sale of trade properties, will fall between £17.3m and £19.4m depending on the striking price and the consequent level of debt servicing charges.

Earnings per share, including the property disposal surplus and after a notional full tax charge would come within the range of 6p and 6.7p per share. Argyll expects that the average property disposal profit of about £3m achieved annually by Allied over the last few years can be maintained in the foreseeable future.

A dividend of not less than 3.75p per share has been forecast for the year ended March 31, 1983, which indicates a gross yield of between 6.3 and 5.4 per cent.

Allied currently holds about 200 stores for disposal and has recently been selling or closing about 50 Liptons stores each year.

Argyll has not yet decided the final desirable level of Lipton's store population, but a significant number of the marginally profitable outlets is seen as suitable for conversion to Argyll's existing Cordon Bleu freezer foods banner.

Argyll has acknowledged that its debts will be high initially, but the gearing level of 70 per cent at the lowest offer price, taking in property disposal and a portfolio revaluation is expected to fall quickly.

It is understood that, with high cash flow and further store and non-trading asset disposals, gearing will not exceed 50 per cent by the end of the current financial year.

There is no profit forecast for the current year, but significant benefits of scale are expected from the Allied acquisition and the enlarged group will be established as a major food retailer and the quality of Argyll's earnings will be enhanced.

● comment

It would be wrong to expect, or even to hope for, many fireworks when Argyll gets off the ground 10 days hence. The City appears to have been quite sharply divided on the merit of the ambitious refloatation of Allied and the deal has either been completely shunned or welcomed enthusiastically. There is enough bullish brokerage comment in circulation to help push the few waverers into the offer so that the striking price may well be pitched in the middle or even the upper echelons of the range. Allied has undoubted potential but does not automatically guarantee organic growth. Its immediate promise has been partly mortgaged in favour of the vendor's cash needs and, at the lowest striking price, gearing would be some 70 per cent allowing for the property revaluation and estimated disposal proceeds. The decisions which Argyll will now be taking on portfolio restructuring, pricing policy, working capital needs and Allied's avowedly weighty administrative base will help to determine the speed with which hope is translated into fact.

Lonrho fights on in battle with Fraser

THE WAR of words between stores group, House of Fraser, and its largest shareholder, Lonrho, with 29.99 per cent of the equity, continued over the weekend, in a build up to the confrontation at Fraser's annual meeting on Thursday June 24.

Other Fraser shareholders have been sent a document by Lonrho presenting its case for two resolutions it has added to the agenda for Fraser's annual meeting later this month.

Lonrho, defeated in its attempt to take over Fraser last year by a ruling by the Monopolies and Mergers Commission, seeks to prevent Fraser directors restoring their right to issue shares without recourse to shareholder approval. Directors' power to use unissued, but authorised, share capital was changed by recent company law.

Lonrho is also urging shareholders to adopt its second resolution which says that shareholders "shall be given the opportunity to consider any offer or proposed offer which might be made for their shares from any source."

Referring to that resolution Lonrho's circular says: "We were surprised to hear after we made our own bid last year that the board's defence included systematically lobbying political and other support to deny the possibility of a bid to shareholders.

"During the period of the Monopolies and Mergers Commission's inquiry the board orchestrated, on other than commercial grounds, opposition to a further bid. The board engaged a political consultant . . . to encourage House of Fraser senior management to approach their Members of Parliament for maximum political opposition to the Lonrho offer."

ALPINE SPORTS

Mr Raymond Hocking and Mr Peter Copp, of Stoy Hayward and Partners, have been appointed joint receivers of Alpine Sports Holborn. Trading will continue.

Pressure continues on Sears Holdings margins

MARGINS AT Sears Holdings continue to be under pressure, as a result of competition and increased expenses, Mr Leonard Sainer, chairman, says in his annual statement. However, every effort is being made to effect further economies and reduce administration costs.

There are no real signs yet of a recovery in the UK economy, he says, and in the U.S. unemployment levels and high interest rates are having an adverse effect on consumer spending.

With any improvement in trading conditions, he is confident that the group will be well placed, following the steps it has already taken.

At the end of the current year a professional revaluation of the group's properties will be carried out, which Mr Sainer says will emphasise its financial strength.

As reported on May 12 Sears Holdings advanced from taxable profits of £99.7m to £104m in the year to January 31 1982 and raised its total dividend to 2.5p (2.3p) net per 25p share with a final of 1.8p (1.6p).

Shareholders' funds stood at £559.9m (£544.1m) at the year end, and loan capital outstanding was £117.3m (£95.6m). Current liabilities came to £217.9m (£208.1m) and current assets to £399m (£391.3m), while fixed assets were valued at £475.8m (£454.8m). During the year there was an increase in working capital of £14.5m (£48.7m).

Meeting, Selfridge Hotel, W. June 29, noon.

Dwek in profit year end: reinstates dividend

PVC SHEETING and household goods maker and distributor Dwek Group turned from taxable losses of £351,000 to profits of £58,000 in 1981. At the half year stage it had already moved into the black with profits of £49,000 compared with losses of £105,000.

With earnings per 10p share of this close company given as 0.64p (4.33p losses) the year's dividend is being reinstated with a payment of 0.2432p net.

Mr M. Dwek, chairman, says that turnover for the first quarter of current year is comparable with that of 1981, but with the continuing depressed state of the market, margins are being placed under adverse pressure. This factor will inevitably inhibit progress in first half of 1982, he says. However, given a favourable reception to new products to complement existing ranges, further progress should be made in second six months.

Turnover for 1981 moved ahead from £9.47m to £13.14m, tax took £4,000 (£9,000) and last year there were additionally minority debits of £5,000. A surplus of insurance compensation received over book value has been credited as an extraordinary item of £211,000 (£53,000).

MINING NEWS

Rand London to get £1.6m injection

BY GEORGE MILLING-STANLEY

SOUTH AFRICA'S struggling junior mining group Rand London is to receive some assistance from its UK parent, Burnett and Hallamshire, in the form of a R3m (£1.6m) cash injection.

In addition, Rand London plans to raise further cash through asset disposals, reports our Johannesburg correspondent. The prestige head office building under construction in Johannesburg and the Brockwell anthracite mine in Natal, operated by the Rand London Coal subsidiary, could both be sold.

Rand London lost a net R6.8m in the six months to December 30 last year, and is expected to report a loss for the nine months to March 31 1982, the new financial year-end.

Burnett and Hallamshire, which bought a 51 per cent interest in Rand London last year, has made several changes to the company's top management. Mr Alan Heber-Percy, former chairman, has resigned along with several other directors, while the former managing director, Mr Bernard Holtshousen, has taken over as chairman.

He is replaced as managing director by Mr John Hall, who used to run B and H's biggest opencast coal mining subsidiary Northern Strip Mining. The UK group's chairman, Mr George Helsby, and managing director, Mr Eric Grayson, have both joined the Rand London board.

Johannesburg market opinion suggests that B and H will have to come up with more cash if Rand London is to be extricated from its present difficulties.

The group has no big profit-earner at present, and is involved in litigation with Iscor, the state-owned steelmaker, over the failure of the Kempslust mine to deliver contracted tonnages of coal. The mine is being converted from mechanised operation to hand-got working, as its seams are too narrow to accommodate even low-clearance mechanical coal cutters.

Futher, a recent raid by saboteurs has destroyed Kempslust's transformer, and temporarily halted the main conveyor belt which is used to haul coal out of the mine.

Botrest set to close mine if debt restructuring fails

THE Selebi-Phikwe copper-nickel mine in Botswana will probably have to close if current negotiations to restructure its heavy debts are unsuccessful, according to Mr Jack Goth, chairman of the mine's holding company Botswana RST (Botrest).

The mine lost Pula 62.6m (£34m) last year, more than four times as much as in 1980, reports Bernard Simon from Johannesburg. A small operating profit was wiped out by high interest payments on accumulated debt and foreign exchange losses.

The decline in nickel and copper prices is at the root of the problems of the mine, which is jointly owned by Amax of the U.S. and South Africa's Anglo American Corporation.

Amax Nickel, which purchases the nickel matte output, has sought a reduction in deliveries to 30,000 tonnes a year from 45,0000 tonnes in 1981.

The U.S. company is understood to be willing to see Selebi-Phikwe shut down in an attempt to limit its losses, but has been persuaded by Anglo American and the Botswana Government not to withdraw from the venture. The mine is the biggest private sector in Botswana, and supports a town of 40,000 inhabitants.

Officials in Gaborone, the capital, claim that an agreement to restructure the mine's finances for a third time will probably be signed later this month. This is aimed at keeping the operation alive for another four years, and will include an agreement by major creditors to write off all interest and royalty payments due to them.

The biggest creditors, apart from the mine's owners and the government, are the West German development bank Kreditanstalt fuer Wiederaufbau, South Africa's Industrial Development Corporation and Chase Manhattan Bank.

Mr Goth commented that the mine has continued to experience serious financial difficulties this year. Both Anglo American and the government have provided emergency funds.

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. Date	1982 High	1982 Low	Stock	Closing price p	+ or −	Div. p. or amount	Times Covered	Gross Yield	P.E. Ratio
¶250	F.P.	23/6	278	265	Assoc. Heat Services	278	......	b9.0	2.1	4.6	14.1
§90	F.P.	—	101	92	✠Black (Michael) 20p	98	−1	u3.0	2.4	4.4	13.6
15	F.P.	15/4	32	19	Cambrian & Gen. 7½p	30	......	—	—	—	—
§260	F.P.	4/6	420	293	✠Cont. Microwave	420	......	b5.25	3.9	1.8	15.6
¶130	F.P.	26/5	158	140	✠Druck Hldgs.	158	+2	b2.3	2.5	3.1	27.4
§87½p	F.P.	25/6	98	87	Electro-Prot. US$0.60	85	......	uQ1.5c	8.9	1.0	11.6
—	—	—	17	10	ΔGroup Inv Option	14					
§260	F.P.	14/6	260	245	✠Io Technology	247	......	—	—	—	—
‡‡	F.P.	—	275	260	✠Jebsens Drilling	260	......	b17.5	2.3	9.6	6.5
¶105	F.P.	—	121	110	✠Miles 33 10p	121	......	ud2.0	4.3	2.4	10.5
600	F.P.	—	670	635	Oriflame SA (US$1.50)	640	......	bQ50c	2.2	4.3	10.3
77	F.P.	—	97	88	✠Radio City 'A' NV	93	+1	b5.6	1.5	8.7	10.8
140	F.P.	—	166	160	✠Ruddle (G.) 10p	164	......	b3.3	2.6	2.9	19.4
136	F.P.	13/6	141	132	Standard Secs.	133	......	b2.8	1.2	3.0	38.9
¶¶	F.P.	—	29	19	Stewart Nairn	22	−2	—	—	—	—
¶¶	F.P.	—	90	60	Zambia Cons Cpr 10K	60	......	—	—	—	—

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1982 High	1982 Low	Stock	Closing price	+ or −
¶100	£10	—	10½	10½	Bournemouth Water 9% Red. Prf. '87 89	10½	......
§99.393	£25	14/7	25	21½	Cred. Foncier de France 14½% Ln. 2007	25	+⅛
¶100	F.P.	1/7	102¼	101¼	East Anglia Water 9% Red. Prf. 1987	101¼	......
¶¶	F.P.	—	146½	136	First Nat. 12½pc Conv. Uns. Ln. 1987	142	......
¶100	F.P.	—	47	38	Grt. N'rth'n Inv. 4pc Net Cum. Prf. £1	39	......
¶100	F.P.	—	46	45	Do. 4.7pc Net Cum. Prf. £1	46	......
‡100	Nil	—	1pm	½pm	Marlborough Props. 10% Cnv. Ln. '98-2002	¾pm	+¼
¶100	£10	—	11	11	Mid-Southern Wtr. 9% Pref. 1987	11	......
§100	F.P.	—	100⅞	100⅛	Nationwide Bdg. Soc. 14¾% (25/4/83)	100½	......
§100	F.P.	—	100	99⅝	Do. 13⅞% (23/5/83)	99⅞	......
¶107	F.P.	29/4	113½	109½	Queens Moat 10½% Cnv. '89-91	113	......
¶100	£10	—	10½	10½	Wrexham Water 9% Red. Prf. '87-89	10½	......

"RIGHTS" OFFERS

Issue price p	Am'unt paid up	Latest Renunc. date ●	Latest Renunc. date ■	1982 High	1982 Low	Stock	Closing price p	+ or −
10	F.P.	27/4	28/5	13¾	10	Ansbacher (H.) 5p	10	−⅛
170	F.P.	13/5	24/6	190	180	Bank Leumi (UK) £1	185	......
135	F.P.	28/5	9/7	170	158	Carless Capel 10p	176	−2
174	Nil	—	—	49pm	44pm	Grand Met 50p	50pm	+5
Dkr185	Nil	—	—	9pm	5pm	Great Northern Tel (£10)	5pm	......
8	F.P.	10/5	21/6	9	5	Grovebell (5p)	5	......
500	F.P.	20/5	18/6	610	575	Hammerson Prop.	605	......
500	F.P.	20/5	18/6	575	520	Do.	575	......
Dr.168	Nil	—	—	2½pm	2¼pm	Norsk Hydro (Kr.100)	2½pm	......
50	Nil	—	—	8pm	8pm	Press (Wm.) 10p	8pm	......
350	Nil	—	—	120pm	90pm	Saatchi & Saatchi 10p	90pm	−5
170	F.P.	14/5	11/6	284	272	Steel Bros	242	......
10	F.P.	13/5	23/6	13½	10½	Sturla 10p	12	......
153	F.P.	10/5	10/6	168	146	Vickers (£1)	161	......
25	Nil	—	—	¼pm	¼pm	Young (H.)	¼pm	......

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. g Assumed dividend and yield. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. ● Figures or report awaited. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price. p Pence unless otherwise indicated. ¶ Issued by tender. || Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or take-over. || Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ✠ With warrants. †† Dealings under special Rule. ✠ Unlisted Securities Market. ‡‡ London Listing. ‡ Effective issue price after scrip. † Formerly dealt in under Rule 163(2)(a). Δ Issued free as an entitlement to ordinary holders.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially published. It should be emphasised that dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

Company	Date	Announcement last year
Allied Colloids	July 16	Final 2.087
Allnatt London	July 16	Final 3.4
Associated Newspapers	July 15	Interim 4.5
*BPB Inds	June 30	Final 5.0
Baker Perkins	June 25	Final 3.0
*Bass	June 8	Interim 2.53
Bath and Portland	July 15	Interim 2.0
*Bilton (Percy)	July 28	Final 4.4
British & Com. Shipping	June 18	Final 7.0
Brown Shipley	June 11	Final 7.5
Butterfield-Harvey	June 16	Final 1.0
*Carless Capel	June 9	Final 1.75
Centrovincial Estates	July 2	Final 1.33
Charter Cons.	June 23	Final 6.6
Chloride	June 24	Final nil
Chubb	June 24	Final 3.478
Cohen (A.)	June 11	Final 4.9
Daily Mail & General Tst.	July 15	Interim 11.0
*Dawson Intl	June 17	Final 5.25
Distillers	July 16	Final 7.75
Electro-Components	June 25	Final 5.5
*Elliott (B.)	June 10	Final 3.0
*English China Clays	June 17	Interim 2.7
Ferguson Industrial	June 15	Final 3.3
Ferranti	June 24	Final 4.0
GEI Intl	June 23	Final 3.555
Gestetner	July 16	Interim 1.25
Granada	July 1	Interim 1.75
*Great Portland Estates	June 9	Final 4.0
GUS	July 16	Final 8.0
Greene King	July 9	Final 4.2
*Guinness (A.)	June 15	Interim 1.575
HAT Group	July 14	Final 1.25
*Hambros	June 22	Final 160.0
Haslemere Estates	July 16	Final 4.56
*Hill Samuel	June 10	Final 4.8
Illingworth Morris	July 17	Final nil
Imperial Cont Gas	July 7	Final 5.3
Imperial Group	July 9	Interim 2.75
*Inchcape	June 17	Final 11.0
International Timber	June 16	Final 2.0
*Johnson and Firth Brown	June 11	Interim 1.3
*Johnson Matthey	June 18	Final 6.5
Kenning Motor	June 18	Interim 1.75
LRC Internatl	July 13	Final 1.8
Lloyds Bank	July 17	Interim 8.825
*London O'seas Freighters	July 14	Final 1.072
Magnet and Southerns	July 14	Final 3.0
*Metal Box	June 7	Final 8.5§
Meyer (Mont L.)	July 9	Final 1.25
Norcross	June 25	Final 3.56
*Northern Foods	June 10	Interim 1.8
*Pegler-Hattersley	June 9	Final 5.5
*Pilkington Bros	June 11	Second int 5.5
Powell Duffryn	June 24	Final 9.55
*Premier Cons.	June 8	Final 10%
*Racal Electronics	June 22	Final 3.4
Rank Organisation	July 13	Interim 4.8
Redland	June 25	Final 4.67
*Reed Intl	June 7	Final 9.0
Renold	June 25	Final nil
Rothmans Intl	July 16	Final 2.65
SGB	June 30	Interim 2.3
Scottish & Newc Breweries	July 2	Final 2.875
600 Group	June 11	Final 2.91
*Sketchley	June 8	Final 6.2
Stead and Simpson	July 1	Final 2.5
*Tesco Stores	June 16	Final 1.55
Thorn EMI	July 10	Final 10.575
Town and City Props	July 3	Final 0.01
Trusthouse Forte	June 25	Interim 1.6
Unigate	July 16	Final 4.0
Union Discount	July 15	Interim 9.0
Wedgwood	June 19	Final 2.425
*Westland	June 9	Interim 2.5
Whitecroft	June 22	Final 2.6

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

M. J. H. Nightingale & Co. Limited

27/28 Lovat Lane London EC3R 8EB Telephone 01-621 1212

£000's capitalisation	Company	Price	Change on week	Gross div. (p)	Yield %	P/E Actual	P/E Fully taxed
4,044	Ass Brit. Ind. Ord.	120	—	6.4	5.3	10.9	13.4
—	Ass. Brit. Ind. CULS	128	—	10.0	7.8	—	—
4,226	Airsprung Group	73	−1	6.1	8.4	8.3	14.2
1,075	Armitage & Rhodes	43	—	4.3	10.0	3.6	8.1
12,953	Bardon Hill	212	+2	9.7	4.6	10.3	12.5
1,350	CCL 11pc Conv. Pref.	108	—	15.7	14.5	—	—
4,169	Cindico Group	265	—	26.4	10.0	10.7	12.0
4,720	Deborah Services	61	—	6.0	9.8	3.9	5.7
4,143	Frank Horsell	130	+1	6.4	4.9	11.7	24.1
10,835	Frederick Parker	75	—	6.4	8.5	3.8	7.3
986	George Blair	54	—	—	—	—	—
4,061	Ind. Precision Castings	100	+1	7.3	7.3	7.2	10.9
2,640	Isis Conv. Pref.	110	+1	15.7	14.3	—	—
2,682	Jackson Group	106	+2	7.5	7.1	3.3	6.8
15,734	James Burrough	114	—	8.7	7.6	8.3	10.5
2,366	Robert Jenkins	232	−2	31.3	13.5	3.2	8.2
3,420	Scruttons "A"	67	—	5.3	7.9	12.9	12.0
3,881	Torday & Carlisle	159	—	11.4	7.2	7.1	12.2
3,312	Twinlock Ord.	15½	—	—	—	—	—
2,102	Twinlock 15pc ULS	77	+2	15.0	19.5	—	—
3,815	Unilock Holdings	25	—	3.0	12.0	4.5	7.6
10,504	Walter Alexander	83	−1	6.4	7.7	5.5	8.7
5,484	W. S. Yeates	235	+2	14.5	6.2	6.2	12.3

Prices now available on Prestel page 48146.

Public Works Loan Board rates

Effective May 29

Years	Quota loans repaid By EIP†	Quota loans repaid A‡	Quota loans repaid at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid A‡	Non-quota loans A* repaid at maturity§
Up to 5	13⅝	13¾	14	14⅛	14¼	14½
Over 5, up to 6	13⅝	13⅞	14¼	14⅛	14⅜	15
Over 6, up to 7	13⅞	13⅞	14¼	14⅜	14⅜	15
Over 7, up to 8	13⅞	14	14¼	14⅜	14⅝	15
Over 8, up to 9	14	14⅛	14¼	14½	14⅝	15
Over 9, up to 10	14	14¼	14¼	14½	14¾	15
Over 10, up to 15	14½	14½	13⅞	15	15	14⅞
Over 15, up to 25	14	13⅞	13⅞	14½	14½	14⅜
Over 25	13⅞	13⅞	13⅞	14⅜	14⅜	14⅜

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual gross interest %	Interest payable	Minimum sum £	Life of bond Year
Knowsley (051-548 6555)	13¼	½-year	1,000	4-8

LADBROKE INDEX
Close 583-588 (unch.)

McCarthy & Stone for USM

BY CARLA RAPOPORT

GROWTH MARKETS have a glamorous pull for the aggressive entrepreneur. Just mention video, satellites, or high technology and teams of earnest young men with impressive profit projections seem to ooze out of the woodwork.

The latest such team, however, has identified a growth market which has very little of this kind of fashionable appeal. McCarthy and Stone, a New Milton-based company, will be coming to the Unlisted Securities Market shortly. It will be offering investors a chance to put their money in the growing business of housing for the elderly.

At the turn of the century, only 2m people were over the age of 60. Today that figure is 11m and swelling all the time. In the next 15 years, researchers expect the number of people in Britain over the age of 80 to increase by 40 per cent.

At the same time, local housing authorities have had to cut back on sheltered housing—the sort which provides special services for its aged occupants—because of Government spending cuts.

McCarthy and Stone has been in the property development business since 1961, but a decision to move into sheltered housing marked a turn in the group's fortunes. In 1977, the company had a piece of property in New Milton which it had bought at the height of the property boom and was unable to exploit.

Mr John McCarthy, one of the group's founders, had already been looking into housing for the elderly. He found that the space needed by a single elderly person is less than that of an average tenant. And elderly occupants need less car parking space. With this in mind, the company constructed a sheltered housing unit with 32 flats on the New Milton lot.

"We were sold out before the roof was on," says Mr Trevor Foan, sales director of McCarthy and Stone. The one-bedroom flats which sold for £10,950 then are now changing hands at £24,000-£25,000, he says. Since 1977, the company has completed 15 more sheltered housing schemes, most located in the south coast area. Each scheme has an average of 50 units.

The rewards for the company so far have been encouraging. Pre-tax profits for the year ended August 1977 were £49,000 on turnover of £3.25m. Last year, the company notched up pre-tax profits of £1.4m on turnover of £4.5m and a good increase is apparently on the cards for the current year.

Mr Foan emphasises that the company does not have a policy of holding land banks and is strictly in the business of providing, designing, building and managing housing for the aged. The company maintains its own architects and marketing operations in-house.

The company considered a full Stock Exchange listing but chose the USM because it is less expensive and allows the founders to hold on to more of the equity. Most of the shares to be placed at the time of the issue will be new shares and the money raised will be put directly into McCarthy's development activities.

Mr McCarthy, 42, is chairman and majority shareholder of the company. His co-founder, Mr Stone, holds the balance of the shares and is projects director. Both men will place a small proportion of their shares prior to the listing.

With some 12 projects now in the pipeline, the company is looking forward to a continued improvement in its fortunes.

"A lot of older people have their capital tied up in a large house which is often too difficult or costly for them to maintain and run," says Mr Foan. The flats now range from £16,960 to £30,000. This price provides a 99-year lease, round-the-clock access to emergency help, a residents lounge and special facilities for the infirm or disabled.

It might not be electronic wizardry, but with very little competition in the field, investors just might be willing to back this somewhat unglamorous business.

Globe Trust talks on Mercantile House deal

TALKS ARE expected this week between Mr Edward Davies, governor of Globe Investment Trust, the UK's largest investment trust, and institutional shareholders. They will cover the group's involvement in the £91m takeover of Oppenheimer Holdings Inc., the U.S. stockbroker, by Mercantile House, the UK financial group with large money broking interests.

Shareholders are concerned about the size of Globe's commitment in the deal, which amounts to £40m. They are seeking an explanation for what they regard as a major change of direction in the trust's policy, the reasons for its involvement with Oppenheimer and its support of Mercantile House in the venture.

As part of financing the deal Globe is to subscribe in cash for 5m new shares in Mercantile House and 20m convertible preference shares of £1 each for a total of £40m.

The new ordinary shares subscribed by Globe will represent 15 per cent of the issued ordinary capital of Mercantile House once the capital is enlarged. Conversion of the convertible by Globe would increase its holding to 25.1 per cent.

RESULTS AND ACCOUNTS IN BRIEF

LEE COOPER GROUP (jeans and casual wear)—Results for 1981 and prospects reported May 13. Shareholders' funds £19.03m (£14.78m). Fixed assets £11.34m (£11.06m). Net current assets £14.33m (£9.91m), including bank balances and cash £6.17m (£2.83m). Net inflow of funds £4.7m (£4.95m) outflow. Meeting: Cafe Royal, Regent Street, W, June 24, noon.

UDS GROUP (stores)—Results for year to January 30, 1982 reported May 21. Group fixed assets £291.84m (£291.85m). Investments £18.71m (£14.07m). Net current assets £30.50m (£50.89m). Shareholders' funds £320.05m (£325.59m). Long and medium term loans £34.99m (£33.57m). Net borrowings £42.81m (£17.85m). Net outflow of funds £23.94m (£20.6m inflow). Chairman says sales of continuing businesses show only a small percentage increase in first 13 weeks of current year. Meeting, Churchill Hotel, W, June 23, noon.

TILBURY GROUP (civil engineer and contractor)—Results for 1981 reported April 21. Shareholders' funds £12.67m (£11.59m); fixed assets £11.18m (£11.06m); net current assets £2.29m (£589,000). Increase in working capital £1.61m (£2.07m). The directors view the future with confidence. Meeting: Connaught Rooms, Great Queen Street, WC, June 22 at 11.30 am.

FLIGHT REFUELLING (HOLDINGS)—Results for 1981 reported April 30. Group fixed assets £7.69m (£4.32m), net current assets £6.69m (£8.07m), bank overdraft nil (£0.66m). Shareholders' funds £16.42m (£10.13m). Net liquid funds increased by £1.06m (£0.66m decrease). Working capital decreased by £0.32m (£1.32m increase). Chairman looks forward to a further improvement in results this year. Meeting: Painters Hall, EC, June 28, noon.

MATTHEW HALL (international engineering designer and contractor)—Results for 1981 reported May 6. Shareholders' funds £34.16m (£30.58m); long term loans £3.36m (£135,000); fixed assets £14.28m (£9.53m); net current assets £22.2m (£20.88m) including short term deposits bank and cash £52.22m (£23.27m) and bank overdrafts £619,000 (£93,000); increase in net liquid funds £6.22m (£3.47m). Meeting: Empire Rooms, W, June 25, noon.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Durban Roodepoort Deep, ICL, Elandsrand Gold Mining, N. Brown Investments, Caffyns, London Prudential Investment Trust, Metal Box, Reed International.

FUTURE DATES

Interims:

Baker's Household Stores (Leeds)	June 17
Guinness (Arthur)	June 15
Muirhead	June 15
Stewart Nairn	June 14

Finals:

Applied Computer Techniques	June 10
BPB	June 30
Bixby Leslie	June 17
Dawson International	June 17
Dominion and General Trust	June 17
Fyffes	June 10
Property Holding and Inv. Tst.	June 14
Racal Electronics	June 22
Scapa	June 24
Woodhead (Jonas)	June 18

FT Share Information

The following securities have been added to the Share Information Service:—

Crusader Oil (Section: Mines—Australia);

Jebsens Drilling (Oil & Gas); Redland New Ord. (Buildings); Standard Securities (Property).

SPAIN

1982 High	1982 Low		June 4 Price %
356	335	Banco Bilbao	356
362	328	Banco Central	344
324	290	Banco Exterior	309
337	305	Banco Hispano	316
115	110	Banco Ind. Cat.	114
357	315	Banco Santander	331
235	187	Banco Urquijo	193
365	352	Banco Vizcaya	363
250	216	Banco Zaragoza	250
160	127	Dragados	136
70	60	Espanola Zinc	70
68.2	58.2	Fecsa	66.2
50	32	Gal. Preciados	34
69.2	61.7	Hidrola	67
59	50	Iberduero	51.5
104.5	85.7	Petroleos	92
101	94	Petroliber	99
40	5.50	Sogefisa	10
74	69	Telefonica	71
68	62.5	Union Elect.	62.5

Marks & Spencer

Statement by the Chairman Lord Sieff of Brimpton, O.B.E., B.A.

TRADING RESULTS

Group sales for 53 weeks excluding sales taxes totalled £2,198·7 million, compared with £1,872·9 million for 52 weeks last year. Profits before tax were £222·1 million compared with £181·2 million.

Earnings were £120·7 million compared with £99·5 million last year, after taxes of £100·3 million, and an allocation of £4·2 million to our *Employees' Profit Sharing Scheme. The directors* recommend an increased final dividend of 2·85 pence per share, totalling 4·6 pence for the year compared with 3·8 pence last year. This will absorb £60·2 million out of the year's earnings, leaving £60·4 million (not including depreciation) in the business to finance future development.

Store sales in the United Kingdom, net of VAT, were £2,025·3 million compared with £1,739·2 million last year.

In France, Belgium and Ireland our sales in local currencies increased by 30% against the previous year. Allowing for the changes in the rate of exchange of sterling, they are shown in our Group sales as £43·6 million against £33·3 million and the profit before taxes was £3·1 million, compared with £1·9 million last year.

Marks & Spencer Canada Inc. increased sales by 8·9% to C$226·3 million in the financial year ended January 1982, and made a profit of C$5·7 million against C$6·6 million in the previous year. After the changes in the rates of exchange during the year, Marks & Spencer Canada Inc. contributed £2·6 million to Group profits before tax, as against £2·5 million in the previous year.

Our total United Kingdom exports were £58·0 million. Export sales outside the Group increased by 18·8% to £26·5 million.

PROPERTIES

We have a valuable portfolio of properties which are built and maintained to a high standard and most of which are freeholds. Our United Kingdom properties have been valued by Gerald Eve & Co. at £994·5 million as at 31st March, 1982. This has now been incorporated in the Company's books and records. It shows a surplus of £397·7 million over the previous book value which has been added to our reserves.

TRADING IN THE UNITED KINGDOM

Sales increased by 16·5%. This was achieved during a time of recession in industry and increased unemployment. Costs of rates, rents, mortgages, heating and transport continued to increase; this left our customers with less money to spend in shops.

Our improved performance was due to the quality and value of the 'St Michael' range, the introduction of new products and new departments, the successful opening of new stores, extensions to existing stores and improved service to our customers.

Clothing sales increased by 11·8% which included growth in volume of 8%. We continued to emphasise easier priced lines as well as selling desirable, higher priced merchandise which represented good value. We provided our customers with a wider choice of attractive good quality clothing.

Homeware, footwear, toiletries and cosmetics sold well. New ranges of ceramics and stationery were introduced successfully and will be developed.

Food sales increased by 21·9%, which included more than 10% growth in volume. Our customers appreciated the quality, freshness and taste of our foods. Our sales of high quality prepared foods continued to increase.

We try to give our customers personal, *helpful and courteous service. Our training* programmes emphasise that our customers are very important people. We have extended to all stores the 'carry to car' facility for customers.

OVERSEAS

Our stores in the centres of Paris and Dublin made excellent progress. We opened a new store in Strasbourg, are extending the Dublin store and building in *Lille and Antwerp. Our development* in Europe and the prosperity of many British industries depend on Britain remaining a full member of the EEC, which is the United Kingdom's largest export market.

In Canada increased unemployment and higher inflation and interest rates reduced consumer spending. The development of large new shopping malls during the year, particularly in Western Canada, intensified competition.

Our recently established export operation in Hong Kong is giving a better service to our customers in the Far East, to which last year we exported £4·5 million of British made 'St Michael' goods.

SUPPORT FOR BRITISH INDUSTRY

More than 90% of 'St Michael' clothing, household textiles and footwear were manufactured in the United Kingdom. We import when high quality goods representing special skills and good values are not available from home suppliers; regrettably, many fine quality woven fabrics are no longer made in the United Kingdom. These selective imports stimulate our British manufacturers.

Our continued support is important for the British clothing industry as we buy about a fifth of its total production. During the year, in co-operation with the British Wool Marketing Board, we successfully introduced 'St Michael' ranges of knitwear, coats and rugs using 1 million lbs of exclusively British wool.

Many of our suppliers are innovative and profitable; most have increased productivity following *investment in new equipment* and technology. A number have employed additional people as a result of their increased business with us. It is with regret that we ceased trading with a few suppliers to whom we gave long, fair notice and generous settlements.

We support British agriculture and the British food industry. More than 90% of 'St Michael' foods available in temperate climates are grown or processed in the United Kingdom. Where foreign suppliers have a particular expertise or access to high quality raw materials, we encourage them to open processing factories in this country; in this way 750 new jobs have been created in the food industry during the last 3 years and 300 more are planned for this year.

I thank all our suppliers and transport *contractors for their efforts and co-operation.* This year I pay a special tribute to our manufacturers in Northern Ireland who are efficient and reliable; last year, we bought £70 million, at cost, of high quality clothing and foodstuffs. We are spending £14 million to extend our Belfast store.

We have confidence in the British economy *and continue to invest heavily in our United* Kingdom stores. We have a budget of more than £300 million to be spent over the next 4 years in property, buildings and equipment. New stores were opened in Truro, Exeter, Brentwood, Redditch and Bexleyheath. We are building stores in Stratford-upon-Avon, Epsom, Banbury, Enfield, Carmarthen, Dumfries and Horsham; we have just extended our existing stores in Bury, Boston and St Helens and are extending in Wolverhampton and Wakefield.

COMMUNITY INVOLVEMENT

The preservation of much that is worthwhile in our society depends in no small measure on a dynamic free enterprise sector which accepts its social responsibility to the community. Helping to restore a healthy and prosperous urban environment is not only good citizenship but is good business.

We have extended our support for schemes which help some young people to find jobs. We do this mainly through Enterprise Agencies which, drawing on the resources and experience of established companies, help new small businesses to start up or expand. In addition, we are training one thousand young people each year in our stores with the help of the Manpower Services Commission, and are involved in the *training of more than another thousand in work*shops sponsored by community organisations.

Our most recent initiative in this field of corporate community involvement is to support a new venture, 'Business in the Community', which promotes active co-operation between business and local agencies, public and voluntary.

Last year, we seconded *27 of our capable* experienced people with special skills to the directing of various worthwhile community projects.

Our store managers are encouraged to play an active role in their locality. Following the disorders last summer, we initiated the 'Backing Brixton Campaign' which was welcomed by the local community and employers and should help to restore confidence so that work can take place to improve local amenities.

The scale and nature of the problems facing the country today are such that they cannot be solved by central and local *government without* the commitment of the community as a whole, of which business is a vital part.

We donated £1·2 million to charity. This money went to small and local causes — as well as national — to support medicine, scientific research, education and the arts and to help the disabled. We spent an additional *£0·9 million* in other ways to aid charity and worthwhile projects through fashion shows, charity advertisements and secondments. Many of our staff are involved in supporting local causes.

GOOD HUMAN RELATIONS

We are continuously concerned with the well-being and care of our 46,000 full and *part-time* staff in the United Kingdom. We treat everyone as an individual. In our Personnel Department we have 900 trained staff, mainly working in the stores, each responsible for the welfare, training and progress of fifty to sixty people in their care.

Last year we spent £48·4 million on non-contributory pensions, subsidised meals, *health* care and other staff benefits. The recent actuarial valuation indicated that our Pension Fund is in surplus. This will be partly absorbed by improving the scale of benefits for our staff and meeting the capital cost of future increases in existing pensions. Another 2,800 members of staff have qualified this year for the Employees' Profit Sharing Scheme, in which nearly 21,000 now participate. We introduced a Savings-Related Share Option Scheme which over 3,650 members of staff have joined.

Our experience shows that our continued policy of good human relations results in staff *stability, ready acceptance of modern methods,* high productivity and good profits.

Our staff morale is high and the great majority, whatever their job, care about the progress of the business. During the appalling weather before and after Christmas, and the disruption of public transport through strikes, many left home very early and walked long distances to get to stores or Head Office.

I thank our staff, suppliers and customers for their support.

Sieff of Brimpton

Summary of Group Results

Year to 31st March 1982		1982 (53 weeks) £Million	1981 (52 weeks) £Million	% Increase
SALES (Excluding VAT and other Sales Taxes)				
United Kingdom		2,025·3	1,739·2	16·5
Europe		43·6	33·3	30·9
Canada		103·3	78·1	32·3
Export sales outside the Group		26·5	22·3	18·8
TOTAL GROUP SALES		2,198·7	1,872·9	17·4
PROFIT AFTER TAXATION ATTRIBUTABLE TO THE COMPANY:				
United Kingdom		117·0	96·4	
Europe		2·2	1·7	
Canada		1·5	1·4	
GROUP NET PROFIT		120·7	99·5	21·3
DIVIDENDS	Per share (pence)	4·6p	3·8p	
EARNINGS	Per share (pence)	9·22p	7·62p	

St Michael

A copy of the full Annual Report can be obtained by writing to: The Secretary, Room C133, Michael House, Baker Street, London W1A 1DN.

CREDITS

UK banks step up efforts to share in Argentine payments

THE FOUR largest British clearing banks have begun to step up their efforts to persuade foreign banks to share out payments on outstanding loans received from Argentina.

Argentina has withheld debt service payments to British banks since the start of the Falklands crisis in early April. It has claimed that money due has been paid into an escrow account in New York.

But British banks say that there is no evidence of the existence of such an account, and that they are entitled to share funds received by non-British banks on syndicated loans to Argentina.

Until last week the British banks were working separately to obtain such payments from the foreign banks with whom they had joined in loan syndicates, but at a meeting last week they decided to work much more closely together.

The main purpose of the meeting was to pool information on the results so far of the share-out procedure. It confirmed that while U.S., Arab, and Scandinavian banks have generally been willing to share out debt service payments, Japanese, French, and some Canadian banks have been much more reserved.

The British banks feel that by combining their information about which banks have agreed to share out the payments, they will be in a stronger position to put pressure on those which have not. There is, however, no question of taking legal action for the time being.

A further meeting is likely to be held in about two weeks' time to refine the joint approach further. Many British bankers feel that a refusal to share out interest payments in these circumstances undermines the whole philosophy of the syndicated credit market.

The share-out procedure, on a pro-rata basis for each bank's participation in a credit, is a basic part of the legal conditions for syndicated lending. There is, however, a natural resistance on the part of some banks to hand over money they have received from a borrower whose credit-rating is as fragile as that of Argentina.

Many bankers, both British and foreign, believe that Argentina will need to reschedule some of its $35bn foreign debt once the Falklands crisis is over. Already, they say the delays in payments to non-British banks are getting longer, stretching more than a week in some cases as the financial squeeze on Buenos Aires tightens.

Partly because of the Argentine problem, business in the syndicated credit market remains slack. But details were finalised last week on two large credits, the $1.2bn package for the Kingdom of Belgium and the $1.7bn credit arranged by Citicorp for the New Zealand Synthetic Fuels Corporation.

The Belgian credit is in two tranches of $600m apiece. One is priced over London interbank offered rate at a split margin of ⅜-½, while the other bears a margin of 0.20 points over U.S. prime rate for the first two years, rising to 0.25 points for the next three with a possible two-year extension.

As with the recent Swedish deal, lenders will also, however, be able to contribute to the prime tranche at a fixed margin over the adjusted U.S. certificate of deposit rate. The margin is 90 basis points, and a bank which elects to do this may review its position after 18 months.

This is a relatively new technique in the Euromarkets, and its popularity cannot yet be gauged. In the Swedish credit, about half the lead managers elected to lend at the margin over CDs rather than prime rate.

As already reported, the Synfuels credit has a margin of ⅜ per cent over Libor until completion in 1985. Thereafter it falls to ¼ per cent and final maturity is 14½ years.

Elsewhere Mexico was reported to be making rather slow progress with the syndication of its $2.5bn jumbo credit, reflecting some concern among smaller banks over its economy following Standard and Poor's decision to reduce the commercial paper rating of Nafinsa, the State development bank.

Mexico has, however, announced the launch of a new Pesos 20bn series of three year petrobonds bearing an interest rate of 19 per cent. Redemption is linked to the price of Mexican oil.

Peter Montagnon

INTERNATIONAL BONDS

Canada's jumbo sells at a discount

THE MOOD of the Eurobond market was aptly summarised late on Friday afternoon when Ross and Partners flashed the following terse message across its Reuter screen: "Everyone wants to go home and forget this market."

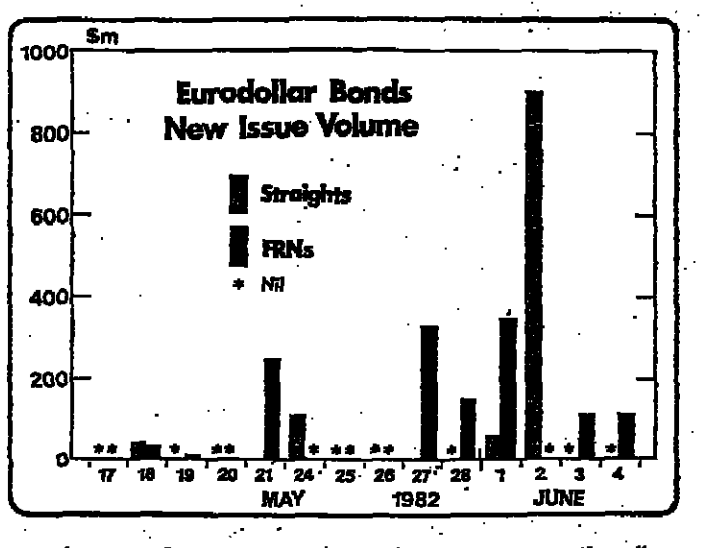
Indeed, traders and new issue managers in London, Frankfurt and Zurich went home heaving a huge sigh of relief that the week had finally ended.

The Eurodollar market was down at least two points after a grim week which saw continuing uncertainty over interest rates and the crowding-out effect of the Canadian government's $750m bond issue.

The Euro D-Mark sector saw prices marked ½ point lower by Friday amid complaints that "every single day there is a new issue."

The Swiss franc foreign bond sector just managed to keep its head above water (prices were unchanged on average) as the U.S. dollar strengthened against the Swiss franc in this currency-sensitive market.

Canada's record-breaking Eurodollar bond was the major event of the week, or perhaps of the month. Deutsche Bank and CSFB each took a whopping $155m of commitments, while the 11 co-managers tried to push out $40m apiece. But the magic which should have been associated with the Canadian name failed to materialise. Although lead-managers claimed that close to two-thirds of the paper had been sold by Friday, a large portion was being sold at a discount of two per cent.



On these terms, co-managers and underwriters were losing money. At a price of 98, the yield to investors is a shade under 15 per cent—on Government of Canatta bonds.

The main interest came from central banks in the Far East and in the Caribbean region. Had the shape of the market been different the issue would have moved a lot faster; it will be placed in any case without too much difficulty, but at a less than prestigious price.

The impact of Canada's issue, combined with more than $1bn of unsold paper which has piled up over the past four weeks, has clearly been harmful for the market.

This week could be a bleak one, say bankers. Many are hoping for no more than "consolidation"—i.e., treading water. There is no sign whatsoever of a breakthrough in Washington's budget wrangle. Bond-related three-month futures came down sharply last week while the gloomy message from Dr Henry Kaufman which was articulated at the Association of International Bond Dealers' meeting in Venice is finding new adherents every day. A number of bankers are revising their opinions about the path of U.S. interest rates, and the optimists are keeping their heads down these days.

As for investors, they appear to be waiting for bonds to enter the secondary market in the hope of securing them at lower prices. One banker summed it up by saying: "There are a lot of issues you just can't give away."

Last week's $50m convertible bond issue for Canon, priced by Yamaichi Securities with a 7 per cent coupon, was selling so slowly that the market wondered whether it might be withdrawn. There were buyers around, but only at discounts ranging up to three per cent.

Canon's problems can be traced easily to the state of the yen and the Tokyo equity market. In the bond markets, the Japanese Government's plans to issue large amounts of new paper have depressed prices significantly. The benchmark 6.10 per cent 1988 Government bond was down ½ point last week, and has fallen by more than two points over the past fortnight.

Samurai bonds — domestic yen borrowings by foreign entities—were two points lower on the week, followed the trend of government bonds. The European Investment Bank's Yen 15bn 10-year issue through Nikko and CSFB had its coupon bumped up ¼ point to 8¼ per cent, but the paper is still trading at a two per cent discount to its 99½ issue price.

This week is unlikely to see many new international bond issues (short of a dramatic improvement in the market), but as already reported, London and Scottish Marine Oil is bringing out a $75m floating rate note today with a warrant to purchase either Eurosterling or Eurodollar fixed-interest paper.

Alan Friedman

CURRENCY BASKETS

The ECU finds a permanent niche

ONE OF the main criticisms that has been levelled against the use of currency baskets in financial markets is that there is always an element of artificiality. You cannot spend a Special Drawing Right or a European Currency Unit (ECU).

Transactions in these units are hard to understand and difficult to exercise, say the critics. But unlike the Special Drawing Right, which has been conspicuously absent from the capital markets this year, the ECU seems to be overcoming this problem.

Last week's announcement of a new ECU 40m bond issue for Italy's state holding company IMI was the second launch in a month of an international bond denominated in ECUs. The previous issue, for Hydro-Quebec, was increased to ECU 50m from ECU 40m because of good demand.

A feature of that issue was that demand was reported from outside Belgium and Luxembourg (where most ECU paper traditionally finds a home). Underlying this is a growing notion that the ECU is becoming an acceptable currency unit in its own right.

Compared with the SDR, the ECU has a distinct advantage as a hedge in that it has no dollar component. The dollar's weight has led to a diminution of interest in SDR deposits as dollar interest rates and the currency itself have strengthened.

But use of the ECU has also been helped by support from major EEC governments (particularly Belgium, France and Italy), aggressive marketing by some leading banks, and the fact that European Community institutions are natural and continuing depositors of ECUs.

Now, says Mr Andre Swings, general manager of Kredietbank, there is no need to separate out the nine currencies composing the ECU in any transaction. His bank has an active book in both ECU assets and liabilities and it says trading ECUs has become just like trading any other currency.

Kredietbank has ECU liabilities of several hundred million, half of which represent demand deposits placed by around 125 other banks.

A boost to the Paris market in ECUs came recently from a French decision to allow the unit to be treated as a separate convertible currency with its French franc component outside the reach of credit and exchange controls or reserve requirements.

This could lead, bankers say, to increased use of the ECU by French borrowers in the Euromarket, confirming that it has established a more permanent niche in international banking business.

P.M.

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
Tokyo Sanyo¶‡	50	1987	5	11½	100	Daiwa Secs. Citicorp	11.500
Ceppell Shipyard§‡	50	1992	10	6¾	100	DBS-Daiwa Secs. Intl.	6.750
Credit Lyonnais†‡	300	1994	12	5¼⊕	100	Credit Lyonnais, CSFB, Merrill Lynch, Commerzbank	5.250⊕
Credit du Nord†‡	50	1992	10	5¼⊕	100	CSFB	5.250⊕
Am. Nat. Res.	60	1989	7	15¾	*	Goldman Sachs	*
Canon§	50	1997	15	7	*	Yamaichi Secs.	*
Chugai Pharm.§	40	1996	14	7½	*	Nomura Intl., SG Warburg, Sumitomo Fin. Intl.	*
Canada‡	750	1987	5	14¾	100	Deutsche Bank, CSFB	14.375
Bayer¶‡	150	1987	5	10½	100	Deutsche Bank	10.500
Europ. Asian Cap.**†‡	20	1987	5	—	100	Continental Illinois	—
Bank Leumi†‡	60	1989	7	6⊕	100	Bank Leumi	6.000⊕
Den Danske Bank†‡	30	1989	7	5¼⊕	100	Saudi Intnl.	5.250⊕
Ferrovie†‡	100	1988	6	5¼⊕	100	Paribas	5.250⊕
CANADIAN DOLLARS							
Gaz Metropolitain	30	1990	8	17½	*	Wood Gundy	*
D-MARKS							
CFE‡	100	1989	7	11	99	West LB	11.214
Philips Lamps	100	1992	10	8¼	*	Dresdner Bank	*
OKB**‡	75	1989	7	9	100	West LB	9.000
SHV Holdings‡	100	1990	8	9	99¾	Commerzbank	9.045
Canon**§	40	1989	7	*	100	Bayr, Landesbk., Nikko Secs.	*
SWISS FRANCS							
Svenska Handelsbank‡	100	1992	—	6¾	99	Nordfinanz-Bank Kredietbank Suisse	6.892
Japan Devt. Bank‡	100	1994	—	6	100	SBC	6.000
Nafinsa‡	80	1992	—	8¼	100	UBS	8.250
Xerox**‡	100	1989	—	6⅜	99¾	CS	6.420
Fuso Pharm.**§	25	1988	—	6½	*	SBC	*
World Bank**‡	300	1987	—	6¾	100	SBC	6.750
Sumitomo Cement**	80	1987	—	6⅞	*	CS	*
Canon**§	100/150	1987	—	6	*	SBC	*
KUWAITI DINARS							
Orient Leasing‡	6	1987	4	12¾	100	KIIC	12.750
ECUs							
IMI	40	1989	7	14	*	Credit Lyonnais, Kredietbank Intnl.	*
YEN							
EIB‡	15bn	1992	7.96	8¼	99½	Nikko Secs., CSFB	8.325

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. ⊕ Minimum. § Convertible. ¶ With warrants. Note: Yields are calculated on AIBD basis.

U.S. BONDS

Tolerant Fed fails to bring comfort

IS THE FED trying to set the U.S. credit markets up for easier money supply growth targets?

This idea has gained currency on Wall Street in the last few weeks as the Fed continues to tolerate a slightly faster growth in M1, the main measure, than seems to be justified by the targets it set at the beginning of the year. Since January, M1 has been rising at an annual rate of about 8 per cent compared to a target range of 2.5-5.5 per cent. Rather than act to restrain it, Fed officials have been saying that M1's growth is due to people building up precautionary bank balances because of the recession, the implication being that it poses no inflationary threat.

Given the weakness of the economy, the Fed could well enshrine this higher rate of growth of M1 in new targets when it meets in early July to set monetary policy for the second half of the year. A further point is that M1 is expected to show another seasonal bulge in July which the Fed might prefer to accommodate than fight.

From Wall Street's point of view, however, this should make little difference to the credit markets. The present level of interest rates already takes into account a rate of growth in M1 that is above target, and if the Fed were to raise its targets it would be bound to stress that it was only trying to account for people's changing savings habits.

Because of this, the chance of a Fed easing has brought no comfort to the credit markets. Last week, the mood seemed to be darkening as the season of enormously heavy Treasury borrowing nears. Bond prices slipped by as much as three points, though they recovered slightly late on Friday on the money supply report. (Apart from showing a smaller-than-expected rise, it revealed that bank reserves are less tight than people thought.)

Short-term interest rates also pulled back from the low levels they reached in the wake of the Drysdale affair, making it harder for dealers to finance their positions.

Although some analysts are sticking grimly to their predictions that interest rates will, on balance, be lower in the months ahead, the majority now say that rates will stay level at best, and could shortly head substantially higher.

Only one bank, First National Bank of Boston, has joined the ½ per cent prime rate cut initiated by Citibank two weeks ago. Although the unusual strength of loan demand is one reason, bankers say they are not sufficiently convinced that rates will stay down. By past standards, current funding costs would imply a prime rate of 15-15½ per cent, not 16-16½ per cent.

The market also seems to have lost all hope that Washington will be able to cut back the $100bn-plus budget deficit. Disagreement centres only on whether this will push up interest rates, with the monetarists saying no and everyone else saying yes.

Details of the Treasury's borrowing plans are coming in thick and fast. Today, the weekly bill auction hits $10bn for the first time. On Thursday, there will be a $5.5bn one-year bill auction, and on the same day the Treasury will announce details of a $5.75bn two-year note and a $3.75bn four-year note. In the second half of the month, the Treasury will also give details of its next quarterly financing, which will take place in July. The total sum to be raised will probably exceed $10bn.

Corporate borrowers still seem hesitant to rush into the market. The pace of new issues last week was very light. Bank of America sold $100m of four-year notes yielding 14.75 per cent, and Chase Manhattan, with an audible sigh of relief, managed to close successfully a $250m preferred share issue that was interrupted by the Drysdale affair which cost the bank enormous losses. Demand for the issue was strong and Chase was able to raise it from £200m.

This week, the calendar includes $250m of notes from CBS, the entertainment and broadcasting company, and $150m of seven-year notes from Sperry Corporation, the computer company.

David Lascelles

U.S. INTEREST RATES (%)

	Week to June 4	Week to May 28
Fed. funds wkly. av.	13.46	13.60
3-month Treas. bills	12.06	11.59
3-month CD	13.80	13.30
30-year Treas. bonds	13.62	13.30
AAA Util.	15.75	15.50
AA Industrial	15.38	15.01

Source: Salomon Brothers (estimates). In the week to May 28 M1 rose $100m to $451.5bn.

Sharply improved results for Japanese shipbuilders

BY YOKO SHIBATA IN TOKYO

JAPAN'S SIX biggest shipbuilders have reported large increases in their sales and profits during the year ended March 31, thanks to a brisk pace of activity in shipbuilding and *to profitable operations* in both offshore equipment construction and other engineering sectors.

Hitachi Shipbuilding and Sumitomo Heavy Industries did especially well, posting record *sales and huge* increases in their earnings which reflected major orders for oil drilling rigs.

Those shipyards operating at full capacity saw a direct improvement in profitability as they managed to terminate the *loss-making orders taken several* years ago, while ship repairing work also made a contribution to higher earnings.

However, the inflow of new shipbuilding orders has tailed off since last summer, partly *because Japanese yards are no* longer prepared to accept unprofitable orders following their *bitter experience in recent* years from which they are now *beginning* to recover.

New shipbuilding orders received by Mitsubishi Heavy Industries were down 36 per *cent*, and those taken by Ishikawajima-Harima Heavy Industries were down 39 per cent *from the previous year*.

For the current fiscal year ending next *March, the Japanese* shipbuilders are expecting a recovery during the second half. Sales are expected to increase slightly, and profits to *be maintained at last year's* levels.

SHIPBUILDERS' RESULTS

	Sales Y bn	% change	Pre-tax profit Y bn	% change	Net profit Y bn	% change
Mitsubishi HI	1,683.6	+27	28.1	+22.4	12.6	+4
Ishikawajima Harima HI	777.6	+14.2	19.1	+110.8	9.6	+60.6
Hitachi Kawasaki HI	764.3	+18	7.8	+128.6	4.2	+50.4
Shipbuilding	484	+45.1	13.2	+156	7.6	+136
Mitsui Engineering & Shipbuilding	364.3	+36.4	20.7	+201.5	6.5	+39.2
Sumitomo HI	281.6	+6.9	6.5	+438.1	4.1	+286.7

Holderbank forecasts downturn

By John Wicks in Zurich

HOLDERBANK, the Swiss cement group, expects results this year and next to show a decline after a 20.6 per cent rise in profits to SwFr 217m ($107m) in 1981. According to Dr Max Amstutz, the managing director, the recession in the building industry is continuing and has now spread to developing countries. Holderbank, one of the world's major companies in the cement and concrete sector, has interests in 22 countries.

Consolidated turnover rose *last year by 15.6 per cent to* SwFr 2.94bn ($1.45bn). This was, however, due largely to inflation, actual sales volume having remained almost unchanged. A drop in turnover is foreseen for the current year, *despite the opening of a number* of new plants late in 1981. Capital expenditure jumped to a record SwFr 748m last year, due primarily to capacity expansion in such overseas countries as Brazil and Mexico.

CSR and Mitsui put joint project on ice

BY OUR FINANCIAL STAFF

CSR, THE Australian mining and industrial company, and Mitsui, the Japanese trading and industrial group, have agreed to postpone further work on the joint development of a large-scale coal liquefaction *plant in the Latrobe Valley in* Victoria.

According to Mitsui, the two companies have not abandoned the project, but it gave no indication of when they might proceed to the next stage. A detailed *feasibility* study has been completed and is being reviewed by the Victorian state government. It was to be followed by more detailed planning.

According to information released by Mitsui Coal and CSR in January 1981, when the *project was first announced*, the two companies have been evaluating a plant that would produce solvent refined coal (SRC) and liquids from the huge brown coal (lignite) reserves in Victoria. A total investment of up to A$1.5bn (U.S.$1.56bn) had been envisaged for the plant which would be capable of handling 6,000 tons of dry coal a day and was expected to be completed by the second half of the 1980s.

Mitusi is also engaged in studies of brown coal conversion with a number of other foreign partners, including *Gulf* in the U.S. and *Ruhrkohle* of West Germany, while CSR has discovered deposits of brown coal in Western Australia as well as Victoria.

Postponement of further work on the Latrobe Valley project follows reassessment in Australia of several other *large "alternative" energy* development projects, in the light both of a falling oil price and diminished export prospects.

CSR, for its part, is already heavily committed to further development of several coking and steaming coal properties in Queensland

INTERNATIONAL APPOINTMENTS

President for Union Carbide metals division

● Mr Frank V. McMillen has been appointed president of the metals division of UNION CARBIDE CORPORATION from June 30 on the retirement of Mr Fred C. Kroft, Jr. In 1976 Mr McMillen was named vice-president and general manager-European metals business in Geneva and in 1981 became vice-president and general manager of the vanadium business for the metals division.

● Dr Romuald Burkard, chairman of Sika Finanz AG, has joined the board of FORBO AG, the Zurich-based holding company of Furgo Group. Dr Adolf Jann and Mr Walter Thut have retired.

● Dr Arthur Fuerer, former managing director of NESTLE SA, the parent company of the *Nestle Group, has succeeded Mr* Pierre Liotard-Vogt as chairman.

● BELL AND HOWELL CO has elected Mr Gerald E. Schultz executive vice-president from *June 1. Mr Schultz will be* responsible for the company's finance and administration, including the legal, planning and employee relations areas.

● HOUSEHOLD INTERNATIONAL has appointed its *president, Mr Donald C. Clark,* to the additional post of chief operating officer.

● UNION ELECTRIC STEEL (UNSC) has named Mr William *E. Jackson president and chief* executive officer, succeeding the late Mr James A. Reed. Mr Jackson has been vice-president, sales.

● ASHLAND OIL INC has named Ms Jane C. Pfeiffer to its board. Ms *Pfeiffer is a management* consultant. She was president of RCA Corpn's national broadcasting co unit.

● Mr Jeffrey F. Kriendler has been elected vice-president—corporate communications at PAN AMERICAN WORLD AIRWAYS. He was system director—airline communications.

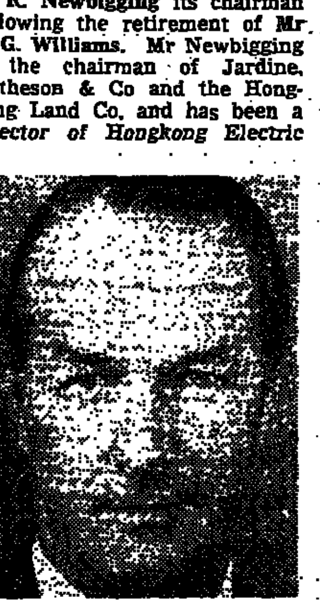
● Mr Dave Gassner has been appointed vice-president, merchandising of TECHNICOLOR AUDIO-VISUAL, a division of Technicolor, Inc.

● Dr O. Fuerer and Mr R. H. P. Markham have been appointed managers of UNILEVER (SCHWEIZ) AG, Zurich.

● Mr Ian McIntosh Henderson will succeed Mr H. Mervyn Rich as group financial director of NEWS CORPORATION on June 17 on Mr Rich's retirement. Mr Henderson was financial director of C. T. Bowring (Insurance). Mr Stanley Schuman, executive vice president of Allen and Co, the New York investment bankers, has also been appointed a director.

● Mr Bob Kite, divisional manager, Graphics West, has been appointed a director of LAWSON AND JONES. Lawson and Jones operates in Canada and the U.S. as a member of the overseas division of Mardon *Packaging International*.

● HONGKONG ELECTRIC HOLDINGS *has appointed* Mr D. K. Newbigging its chairman following the retirement of Mr P. G. Williams. Mr Newbigging is the chairman of Jardine, Matheson & Co and the Hongkong Land Co, and has been a *director of Hongkong Electric* for seven years. Mr Williams will be returning to the UK but will remain a director with *special responsibilities in* Europe. Mr J. Peacock has been appointed group managing director. Mr Peacock has been a director for six years.



Mr D. K. Newbigging

● Mr Ned Eyles, director of DOW's agricultural chemicals business *in the Middle East* and Africa, has been named country general manager for the Soviet Union. He will be responsible for technical co-operation with the state committee for science and technology, the chemical *industry* and the *agricultural* industry. Mr Eyles will also be responsible for the commercial frame agreement with V/O Sojuzchimexport and will strive to broaden co-operation with the other foreign trade organi*sations for developing trade in* both directions. Mr Eyles will maintain close links with Dow Europe's director of hydrocarbons and energy, Mr Stan Buck, to whom he will also report.

Mr H. Fred Plagens, vice president of manufacturing for DOW Latin America, has been assigned the added responsibility of vice president and director of manufacturing, engineering, technology, quality and safety for *Dow's worldwide human health* business. Initially, he will remain in Coral Gables, Florida, but later on he will move to Cincinnati, Ohio, Dow's global headquarters for human health.

● INSTITUTIONAL INVESTOR has made the following appointments: Mr Fred V. Rubenstein *has been named chief operating* officer; Mr Arnold Obler, associate publisher; Mr Gene De-Poris, Jr., director of advertising; and Mr John F. D'Avolio, senior vice president. Mr Rubenstein was executive vice president of marketing.

● BEECH AIRCRAFT COR*PORATION, a subsidiary of Ray*theon Company have appointed Mr Linden S. Blue president and chief executive officer. Mr Blue, former managing director and *chief executive officer of Lear* Fan, will assume his new duties as president and chief executive officer on June 15.

Mrs Olive Ann Beech, co-founder of the company, will retire in September as chairman of *the board, but will continue as* chairman emeritus and chairman of the Beech Aircraft Foundation. Mr D. Brainerd Holmes, president of Raytheon, will become chairman of the Beech board upon Mrs Beech's retirement.

Frank E. Hedrick will retire as vice chairman of the board on July 1, but will continue as a director of Beech Aircraft, *chairman of the Finance Com*mittee, and president of the Beech Aircraft Foundation.

Mr Edward C. Burns will retire on June 15 as president but will continue as a director of Beech Aircraft.

● *Dr Roman Schorta, formerly* a head of division with the Swiss chemical concern Emser Werke, has joined the Liechtenstein-owned industrial group HILTI as head of group marketing.

● A. S. Hutchcraft Jr has been elected president and chief operating officer of KAISER ALUMINIUM AND CHEMICAL CORPORATION, of Oakland, California. He had previously been corporate vice-president and general manager of the corporation's aluminium division. He succeeds Mr Cornell C. Maier, who remains chairman of the board and chief executive officer.

● M Maurice Perouse has been appointed chairman and a director of BARCLAYS BANK SA in France, *from June 1, in place of M Pierre de Calan*, who remains a director. M Pierre de Lalande, vice-chairman, has been confirmed by the board in his *capacity of general manager* with full executive powers. Mr N. A. Maxwell-Lawford, resident director, continues to be a representative of the shareholders *(Barclays Group) in France*.

● Mr Ronald E. Wittman has been named assistant controller of DI GIORGIO CORPORATION. Mr Wittman was a principal and director of finance and planning for the engineering consulting firm of Master Engineers Corporation in Pittsburgh, Pennsylvania.

● Mr F. Daniel Frost, a partner in the law firm of Gibson, Dunn and Crutcher, has been elected *to the board of THE PARSONS* CORPORATION. Also elected were continuing board members Mr O. C. Roddey, president of The Ralph M. Parsons Company, a wholly owned subsidiary of The Parsons Corporation; and Mr Lawrence R. Tollenaere, president and chief executive officer of Ameron, Inc.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aetna Life 15 86/97	150	101¼	101¾	−0½	−1	14.43
Amax Int. Fin. 16⅛ 92	75	102⅞	103⅛	−0⅛	−1⅛	15.57
Amax O/S Fin. 14⅜ 89	100	96⅞	97⅜	−0⅛	−1	14.92
APS Fin. Co. 16⅛ 89	75	101⅞	102⅛	−0¼	−1⅛	15.66
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 8⅝ 91	15	99½	100½	−0½	−0⅛	8.24
Int.-Amer. Dev. 8⅞ 91	15	101⅜	102⅜	−0½	−0½	8.50
Japan Airlines 7⅞ 87	9	96⅞	96⅞	0	−1	8.76
New Zealand 8⅛ 87	15	99½	100½	0	−0⅛	8.37
World Bank 8⅝ 92	20	98⅛	98⅞	−0⅛	−2	8.60

Average price changes... On day −0⅛ on week −0⅛

EUROBOND TURNOVER (nominal value in $m)

	Cedel	Euro-clear
U.S. $ bonds		
Last week	4,173.7	8,344.9
Previous week	6,790.6	10,473.5
Other bonds		
Last week	1,141.9	666.2
Previous week	1,181.8	509.3

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bank of Tokyo International; Bankers Trust International; Chase Manhattan; Citicorp International Bank; Credit Commercial de France (Securities) London; Daiwa Europe NV; Deltec Securities (UK); EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Orion Royal Bank; Samuel Montagu and Co.; Scandinavian Bank; Societe Generale Strauss Turnbull; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on June 4

Copies of this Offer for Sale, having attached thereto the documents specified herein, have been delivered to the Registrar of Companies for registration.

Application has been made to the Council of The Stock Exchange for the ordinary shares and convertible preference shares of Argyll Foods PLC ("Argyll") issued and now being issued to be admitted to the Official List. This Offer for Sale includes particulars given in compliance with the Regulations of the Council of The Stock Exchange for the purpose of giving information with regard to Argyll.

This Offer for Sale is conditional on completion of the acquisition by Argyll of Allied Suppliers Limited ("Allied") and has been prepared on the assumption, where relevant, that such completion has taken place. The directors of Argyll have taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts the omission of which would make misleading any statement herein whether of fact or of opinion. All the directors accept responsibility accordingly.

The Application List for the ordinary shares now offered for sale will open at 10 a.m. on Thursday, 10th June, 1982 and may be closed at any time thereafter.

presto Liptons ARGYLL FOODS PLC LO-COST Cordon Bleu

ARGYLL FOODS PLC

(Incorporated in England under the Companies Act, 1929. No. 358043)

Offer for Sale by Tender

by

Samuel Montagu & Co. Limited

of

95,000,000 ordinary shares of 10p each at a price of between a minimum of 85p per share and a maximum of 100p per share, payable in full on application.

The ordinary shares now offered for sale rank in full for all dividends and distributions declared, made or paid on the ordinary share capital of Argyll after the date hereof, save that they will not be entitled to the second interim dividend of Argyll in respect of the fifty two week period ended 27th March, 1982, amounting to 2.25p per share, nor for the proposed scrip issue of warrants described in paragraph 1 of Appendix V.

Summary information

The following information is derived from, and should be read in conjunction with, the full text of the Offer for Sale.

Business

The new Argyll group, which combines the former Argyll group and the Allied group, is engaged principally in food retailing. It is one of the largest food retail groups in the United Kingdom with combined sales of more than £1 billion and trades under the principal names of Presto, Liptons, Lo-Cost and Cordon Bleu.

Offer for Sale

95 million new ordinary shares of Argyll are being offered for sale by tender at a price of between a minimum of 85p per share and a maximum of 100p per share.

All shares will be sold at the same striking price. The striking price, which will not be less than 85p per share, will not necessarily be the highest price at which sufficient applications are received to cover all the new ordinary shares being sold.

Pro forma financial information

The pro forma results and net tangible assets, based on combining the audited accounts of Argyll and Allied for the year to end March, 1982 after making certain adjustments described in paragraph 5 of Appendix III, are set out below. For illustrative purposes, the effects of striking prices of 85p per share and 100p per share are indicated. At a striking price of 100p, profits and earnings per share are higher, as a consequence of a greater amount of cash being raised from the Offer for Sale, leading to lower interest costs.

	85p striking price	100p striking price
Ordinary shares in issue and arising from the convertible preference shares	139m	
Turnover	£1,077m	
Market capitalisation	£118m	£139m
Profit before taxation, including profit of £2.5m on sale of trade properties	£17.3m	£19.4m
Profit after taxation, including profit of £2.5m on sale of trade properties	£15.3m	£17.4m
Earnings per share—		
after actual tax, including above property profit—1.8p per share	11.0p	12.5p
after notional full tax, including above property profit—0.9p per share	6.0p	6.7p
Price earnings ratios—		
after actual tax	7.7	8.0
after notional full tax	14.2	14.9
Price earnings ratios, excluding above property profit—		
after actual tax	9.2	9.3
after notional full tax	16.6	17.1
Gross dividend yield, on basis of forecast dividend of not less than 3.75p for the year to end March, 1983	6.3%	5.4%
Net tangible assets, excluding property surplus of £15.9m	£55m	£69m
Net tangible assets per share, excluding property surplus of 11p per share	40p	50p

This table should be read in conjunction with the notes set out in paragraph 5 of Appendix III.

Share capital

Authorised		*Issued and now being issued fully paid*
£17,000,000	Ordinary shares of 10p each	£13,710,469
4,468,048	8 per cent. convertible redeemable cumulative preference shares of £1 each	1,037,763
31,952	Unclassified shares of 10p each	
£21,500,000		£14,748,232

Indebtedness

Details of the indebtedness of the new Argyll group, which, at 22nd May, 1982, amounted to a total of £45.2 million, excluding any term loans to be drawn subsequent to this date in connection with the acquisition of Allied, are set out in paragraph 2 of Appendix V. Save as disclosed in that paragraph, and apart from intra-group indebtedness and guarantees, no company in the former Argyll group or in the Allied group had outstanding as at 22nd May, 1982, any mortgages, charges, debentures, loan capital or any loan capital created but unissued, or other borrowings or indebtedness in the nature of borrowings, including bank overdrafts, liabilities under acceptances or acceptance credits, hire purchase commitments or any guarantees or other material contingent liabilities.

Timetable

Application lists open	10.00 a.m. 10th June, 1982
Expected date of commencement of dealings on The Stock Exchange	17th June, 1982
Last date for registration of renunciation	3.00 p.m. 30th July, 1982

Definitions

The following principal definitions are used in this document:

"Argyll"	Argyll Foods PLC
"Allied"	Allied Suppliers Limited
"former Argyll group"	Argyll and its subsidiaries prior to the acquisition of Allied
"new Argyll group"	Argyll and its subsidiaries following the acquisition of Allied
"Allied group"	Allied and its subsidiaries
"Allied (Holdings)"	Allied Suppliers (Holdings) Limited
"Samuel Montagu"	Samuel Montagu & Co. Limited
"Gulliver Foods"	Gulliver Foods Limited
"Oriel"	Oriel Foods Limited
"Cordon Bleu"	Cordon Bleu Freezer-Food Centres Limited
"JGA"	James Gulliver Associates Limited
"ordinary shares"	ordinary shares of 10p each of Argyll
"new ordinary shares"	the 95 million ordinary shares *being issued as part consideration for the* acquisition of Allied
"convertible preference shares"	8 per cent. convertible redeemable cumulative preference shares of £1 each of Argyll
"Offer for Sale"	the Offer for Sale by tender of new ordinary shares, as described in this document
"warrants"	warrants to subscribe for ordinary shares, as summarised in paragraph 1 of Appendix V
"striking price"	the sale price for the new ordinary shares

Directors

James Gerald Gulliver
Chairman
49 Pont Street, London S.W.1.

Matthew Alistair Grant
Meppershall Manor, Meppershall, Shefford, Bedfordshire.

Charles Sharpe Lawrie
19 Shurdington Road, Atherton, Manchester.

David Frederick Burditt
Willows, Windsor Road, Datchet, near Slough, Berkshire.

Hugh Martin Plowden Roberts
The Boxes, Ockham Lane, Hatchford, Cobham, Surrey.

Charles Martin Edwards
Longmeade, Oak Road, Mottram St. Andrew, near Prestbury, Cheshire.

Roy Edward Semark, FCA
Higher Bowden, Wilkins Green Lane, Nast Hyde, Hatfield, Hertfordshire.

Evan Kendrick Edwards
Nobold House, near Shrewsbury, Shropshire.

David Gordon Comyn Webster
South Winds, The Common, Berkhamsted, Hertfordshire.

Secretary and registered office
Colin Deverell Smith, FCA,
St. Christopher House,
217 Wellington Road South,
Stockport, Cheshire SK2 6QW.

Brokers
Panmure Gordon & Co.,
9 Moorfields Highwalk,
London EC2Y 9DS.

Solicitors to Argyll
Ashurst, Morris, Crisp & Co.,
Broadgate House,
7 Eldon Street,
London EC2M 7HD.

Principal Bankers
Midland Bank plc,
Poultry, London EC2P 2BX.

Samuel Montagu & Co. Limited,
114 Old Broad Street,
London EC2P 2HY.

Solicitors to the Offer for Sale
Herbert Smith & Co.,
Watling House,
35/37 Cannon Street,
London EC4M 5SD.

Barclays Bank PLC,
54 Lombard Street,
London EC3P 3AH.

National Westminster Bank PLC,
41 Lothbury, London EC2P 2BP.

Reporting accountants on and auditors of the former Argyll group
Arthur Andersen & Co.,
Chartered Accountants,
Bank House, 9 Charlotte Street,
Manchester M1 4EU.

Receiving bankers
Samuel Montagu & Co. Limited,
New Issue Department,
Augustine House, Austin Friars,
London EC2N 2JL.

Reporting accountants on and auditors of the Allied group
Price Waterhouse, *Chartered Accountants,*
Southwark Towers,
32 London Bridge Street,
London SE1 9SY.

Registrars
Williams & Glyn's Registrars Limited,
P.O. Box 27, 34 Fettes Row,
Edinburgh EH3 6UT.

Introduction

The new Argyll group, which combines the former Argyll group and the Allied group, is engaged principally in food retailing. It is one of the largest food retail groups in the United Kingdom with combined sales of more than £1 billion and a current share of the national packaged grocery market in excess of 5 per cent. with strong regional market shares in Scotland and Tyne Tees. In addition, it has other food distribution and manufacturing interests.

The merger of the former Argyll group and the Allied group was announced on 11th May, 1982, when Argyll agreed to acquire, subject to certain conditions, the whole of the share capital of Allied from Allied (Holdings), a subsidiary of Generale Occidentale, for a consideration of approximately £101 million. The acquisition now remains conditional solely on listing being granted by the Council of The Stock Exchange for the new ordinary shares. It is expected that this will be granted on 9th June, 1982, subject only to allotment of the new ordinary shares. In such circumstances, the acquisition should be completed on 16th June, 1982. The Offer for Sale has been prepared on the assumption that this condition has been fulfilled and, where relevant, that the acquisition has been completed.

The board of Generale Occidentale has stated that it is selling its interest in Allied in order to concentrate on the expansion of activities in North America, on which it has already embarked.

The consideration of approximately £101 million for Allied is being satisfied substantially through the allotment to Allied (Holdings) of 95 million new ordinary shares of Argyll. These new ordinary shares are being sold by Allied (Holdings) to Samuel Montagu, which is now offering them for sale by tender to the public at a price of between a minimum of 85p per share and a maximum of 100p per share. The Offer for Sale is thus raising gross cash proceeds of between £81 million and £95 million and the balance of the consideration of between £20 million and £6 million is being settled in cash by Argyll.

At the request of the directors of Argyll, the Council of The Stock Exchange suspended listing of the ordinary and convertible preference shares of Argyll on 10th May, 1982, pending the announcement the following day that Argyll had agreed to acquire the whole of the share capital of Allied. In view of the substantial nature of the acquisition of Allied in relation to the size of Argyll, the listing of existing Argyll shares has remained suspended pending completion of the acquisition. Application has been made for the whole of the ordinary share capital of Argyll to be admitted to the Official List by the Council of The Stock Exchange and, subject thereto and to completion of the acquisition of Allied, dealings are expected to commence on 17th June, 1982.

History and development

Argyll was incorporated on 5th December, 1939 with the name of Louis C. Edwards & Sons (Manchester) Limited to acquire a meat processing business founded in 1919. Its shares were listed on The Stock Exchange in 1962. On 28th July, 1980 the name of the company was changed to Argyll Foods Limited.

In February, 1979, Gulliver Foods, an investment holding company controlled by JGA, acquired a 20 per cent. interest in the then issued share capital of Argyll. Mr. J. G. Gulliver, Mr. M. A. Grant and Mr. D. G. C. Webster joined the board of Argyll at that time and assumed responsibility for its management and direction. Subsequently, Mr. R. E. Semark, Mr. D. F. Burditt and Mr. C. S. Lawrie, all experienced senior executives in the food industry, joined the board of Argyll.

During 1979 and 1980 the activities of Argyll were substantially increased, principally through a number of acquisitions including in particular the Cordon Bleu freezer centre business. In February, 1981, Argyll purchased Oriel from RCA Corporation for £19.5 million in cash, thereby transforming the scale and range of Argyll's operations and establishing the former Argyll group as a major United Kingdom food group with national food distribution interests. Mr. J. G. Gulliver, as chairman and chief executive, together with his present senior management team, was responsible for the development of Oriel over a period of four years from January, 1973 to January, 1977. The management of Oriel, when Argyll acquired it in February, 1981, was substantially that established during the period of his previous association with the business and this greatly facilitated the integration of Oriel with Argyll. Argyll's retail activities now comprise two divisions, Lo-Cost and Cordon Bleu.

Allied was created in 1929 through the merger of a number of long established retail grocery businesses including Liptons Limited, The Home and Colonial Stores Limited and Maypole Dairy Co. Limited. By 1959, Allied had absorbed further grocery companies including Galbraith Stores Limited and R. & J. Templeton Limited. In 1972, Allied was acquired by Allied (Holdings), then called Cavenham Limited. Moores Stores, which had been jointly owned by Allied (Holdings) and The Southland Corporation Inc. since 1971, has been managed within Allied since 1976, although only purchased from Allied (Holdings) in 1980. The Caters supermarket division was acquired from Debenhams in 1980. Allied now comprises two divisions, Presto and Liptons.

Location of Presto stores

Business

The principal activity of the new Argyll group is retail food distribution, as shown by the table below which analyses turnover for the year to end March, 1982. The table is based on combining the turnover of the former Argyll group and of the Allied group for that year, as further analysed in paragraph 4 of Appendix III.

	Turnover £m.	*Percentage*
Retail food distribution		
Presto—large supermarkets and superstores	485	40%
Liptons—supermarkets	412	38%
Lo-Cost—limited range discount stores	73	7%
Cordon Bleu—freezer centres	49	5%
	969	90%
Wholesale food distribution	70	6%
Food manufacturing	38	4%
	1,077	100%

Retail food distribution

Large supermarkets and superstores

The Presto division operates 129 supermarkets and superstores, having a total sales area of some 2.0 million square feet and an average sales area per store of some 15,000 square feet. Of these, 11 stores have a sales area in excess of 25,000 square feet each.

The Presto division was formed in 1967 to develop the traditional strength of Allied in bacon, cheese and other provisions, including high quality fresh meat and produce, in combination with a wide range of groceries at discount prices.

From a small base in the early seventies in the North East and Yorkshire, Presto was expanded into Scotland in 1976 and then to other areas of the country through the conversion of the larger Moores stores. Thereafter, while maintaining a strong market share in Scotland and the North, the development of Presto was directed towards the South, first to the Midlands and then, with the purchase of Caters stores, most of which were converted to Presto, to London. By March, 1980 Presto had 25 stores in the London area to give it a significant presence there. Since then, 5 new stores have been added and a further 2 are under construction in the London area.

American ideas in the design, layout and equipment of supermarkets have progressively been incorporated into Presto over the last two years. In particular, some 37 stores have now been remodelled into the "Food Market" concept, which emphasises a wide range of fresh foods (including fresh meat, fresh fish, fresh produce, dairy and delicatessen departments and in-store bakeries) together with competitively priced packaged groceries and low priced own label and generic grocery products. The Presto Food Market concept creates an attractive shopping environment and further Presto store conversions are being implemented in the current year.

In 1978, Presto's operations consisted of 77 stores with a total sales area of 1.1 million square feet, and an average sales area per store of 14,000 square feet. Since 1978, 60 new Presto stores have been opened, including conversions of Caters supermarkets, and turnover has increased from £166 million in 1978 to £435 million for the year to end March, 1982. The location of the existing Presto stores is shown by the map opposite.

ARGYLL FOODS PLC

ARGYLL FOODS PLC *Continued*

Supermarkets

The Liptons division operates 789 convenience grocery stores under the names of Liptons, Templeton and Galbraith and has a total sales area of some 1.9 million square feet, with an average sales area per store of some 2,400 square feet.

Liptons is the trading name for the 588 smaller stores, averaging 2,300 square feet of sales area, trading in England and Wales. A previous multitude of fascias was rationalised into Liptons in the early 1970s. These stores have been progressively refitted with loss-making stores being closed. Their disposal has provided funds to refit and modernise the remainder, thereby improving quality and facilitating the introduction of fresh produce, meat, fruit, vegetables and wines and spirits.

The Liptons name is strongest in the North East, Lancashire, Yorkshire and London, and is also well represented in the holiday areas of North Wales, Devon and Cornwall, the South Coast and Kent. In addition, there are Liptons Foodhalls in 13 of the Debenhams department stores.

Templeton is the trading name for the larger Scottish supermarkets within the division, comprising 85 stores with an average sales area of 4,500 square feet per store. Templeton has a reputation for fresh foods and quality and is particularly strong in the West of Scotland and the Ayrshire coast. The use of the traditional Templeton name with local management maintains the Scottish identity of these stores.

Galbraith is the name used for the 103 smaller Scottish convenience stores, averaging 1,200 square feet per store. The stores are mainly in estate and high street locations in and around Glasgow.

Limited range discount stores

The Lo-Cost division operates 157 discount supermarkets having a total sales area of 541,000 square feet and an average sales area per store of some 3,400 square feet. Turnover in the year to end March, 1982 was £73 million and, with the benefit of the recent Pricerite stores acquisition, is currently at an annual rate of around £100 million.

Lo-Cost are mainly located in the West Midlands, Wales and North West England. Lo-Cost offers customers the benefit, through a policy of central bulk buying, of purchasing a range of branded products, including quality fresh foods, at competitive prices in convenience small town and suburban locations. The policy of concentration on branded products has led to the establishment of a strong trading relationship between this division and manufacturers.

Retail food distribution and administration

The Presto and Liptons divisions are serviced from 9 distribution depots with a total warehouse area of 688,000 square feet and 4 fresh produce depots, located throughout the country. Some 1,800 grocery lines, including own label products, are distributed by a fleet of 213 vehicles. The Lo-Cost division is serviced from 3 distribution depots, with a total warehouse area of 149,000 square feet, located at Queensferry in North Wales, Shrewsbury and Heathfield in Devon. Distribution of some 1,300 grocery lines is by Lo-Cost's fleet of 42 vehicles.

Administration for the Presto and Liptons divisions is concentrated in a modern office of 41,000 square feet in South Shields, employing some 500 staff. Remote computer facilities are directly linked to the main computer installation in the modern head office of 58,000 square feet at Hayes. Buying is directed centrally from Hayes with specialist divisions for fresh meat, fresh produce, in-store bakeries and fresh fish. The supporting departments of property and development, finance, marketing and personnel are also located at Hayes. Administration and buying for the Lo-Cost division is centred in an office of 10,000 square feet at Queensferry, North Wales.

Freezer centres

The Cordon Bleu division operates 137 freezer centres located throughout England having a total sales area of 303,000 square feet and an average sales area per store of some 2,200 square feet. Its 137 stores include 45 of the original Cordon Bleu stores acquired in November, 1979, 31 stores acquired with Dalgety Frozen Foods in February, 1980, 38 of the 66 Freezer Fare stores acquired in October, 1980 and 5 Bonimart stores acquired in November, 1980. Cordon Bleu has also opened 18 stores over the last twelve months.

All Cordon Bleu freezer centres carry a uniform range of products, with common merchandising and pricing policies. In addition to selling approximately 600 lines of frozen foods, Cordon Bleu sells a limited range of groceries, freezers and microwave ovens.

The stores are principally serviced from 2 cold store depots located at Salford, near Manchester and Sevenoaks in Kent. The head office of Cordon Bleu is located in modern premises of 15,000 square feet at Stockport, Cheshire.

Cash and carry

Mojo operates 29 wholesale cash and carry depots throughout England and Wales having a total sales area of 578,000 square feet, and is a member of the Keencost buying and marketing group. Mojo originally operated principally as a supplier to the retail grocery trade but has extended its market and is now involved in catering supplies, wines and spirits, cigarettes and tobacco, confectionery, grocery provisions and fresh meat. The majority of its outlets are well established in defined local markets.

Frozen foods

Snowking Frozen Foods is a specialist wholesale distributor of frozen foods, operating from 12 depots with a total capacity of 721,000 cubic feet, principally located in the South of England and the Midlands. Snowking offers a range of some 1,750 frozen food products, both branded and own label, to service the food retail and catering markets.

Food manufacturing

Argyll Quality Foods manufactures and sells a range of quality plain and half-coated biscuits under the "Bronte", "Yorkshire Biscuits" and "Furniss" labels. It also manufactures and sells shortbread and oatcakes under the "Paterson" label, and tinned cakes and pies under the "Purdy" label. Argyll Quality Foods is located in premises at Haworth in Yorkshire, Truro in Cornwall and Livingston in West Lothian.

Gold Crown Foods blends and packs tea both under its own "Mantunna" regional brand label and under private labels and also packs coffee. Gold Crown Foods is located in central Liverpool.

Liverpool Central Oil refines and supplies edible oils and fats which are largely sold to the major food manufacturers in the United Kingdom. It is located in central Liverpool.

Management and employees

Directors

Mr. J. G. Gulliver, who is aged 51, is chairman of Argyll and has been a director since February, 1979. From 1965 to 1972 he was chief executive, and from 1967 also chairman, of Fine Fare Limited. He was also a director of its parent company, Associated British Foods Limited. In 1971, in addition to retaining his Fine Fare responsibilities, he was appointed executive vice president of Loblaws, an associated company, the second largest supermarket chain in Canada. In October, 1972, he left Fine Fare to develop his own interests and in January, 1973 acquired a substantial shareholding in Oriel, where, as chairman and chief executive, he was responsible for its development until the end of 1976. His prime commitment is as executive chairman of Argyll, to which he devotes the greater part of his time; in addition, he is chairman of Alpine Holdings PLC and Amalgamated Distilled Products PLC, which are separate public listed companies. He is also chairman of JGA and Gulliver Foods.

Mr. D. F. Burditt, who is aged 52, has been a director of Argyll since June, 1980. Following a period of time with Procter & Gamble, he was employed by Beechams from 1971 to 1977, latterly as managing director of Beecham International Consumer Products Division. From 1977 to 1979 he was group managing director of Thomas Borthwick & Sons Limited. He is responsible for Argyll's food manufacturing division. He is also a director of Gulliver Foods.

Mr. C. M. Edwards, who is aged 36, has been a director of Argyll since September, 1972. He is a non-executive director.

Mr. E. K. Edwards, who is aged 70, has been a director of Argyll since March, 1980, following the acquisition by Argyll of Morgan Edwards Limited. He is a non-executive director.

Mr. M. A. Grant, who is aged 45, has been a director of Argyll since February, 1979. From 1968 to 1972 he was part of Mr. Gulliver's management team at Fine Fare, latterly as marketing director. From 1973 to 1977 he was managing director of Oriel. He is an executive director, with group operational responsibility. He is also a director of Alpine Holdings PLC, Amalgamated Distilled Products PLC, JGA and Gulliver Foods.

Mr. C. S. Lawrie, who is aged 48, has been a director of Argyll since September, 1981. From 1959 to 1973 he was a senior executive of an associated company of Fine Fare, for which Mr. Gulliver was responsible, engaged in delivered and cash and carry wholesaling. Since 1974, he has been part of the management of Oriel, latterly as a director. He is responsible for Lo-Cost Stores and Mojo.

Mr. H. M. Plowden Roberts, who is aged 49, was appointed a director of Argyll in June, 1982. Following a period of several years as an executive and director of a retail and wholesale meat company, he was appointed to Allied in 1967 to establish the fresh meat operation as part of the supermarket development programme. He joined the board of Allied as fresh foods director in 1971, becoming marketing director in 1972 and operations director in 1975. He became managing director and chief executive of Allied in 1979, and chairman in 1980.

Mr. R. E. Semark, who is aged 42, has been a director of Argyll since July, 1979. From 1964 to 1978 he was part of Mr. Gulliver's management team at Fine Fare, and a director from 1974. He is responsible for Cordon Bleu and Snowking. He is also a director of JGA and Gulliver Foods.

Mr. D. G. C. Webster, who is aged 37, has been a director of Argyll since February, 1979. He was director of corporate finance of Oriel from 1973 to 1977. As an executive director he is responsible for group corporate finance. He is also a director of Alpine Holdings PLC, Amalgamated Distilled Products PLC, JGA and Gulliver Foods.

Employees

The new Argyll group has the following employees, of whom some 11,700 are employed on a part-time basis:

Retail food distribution:	
Large supermarkets and superstores	12,300
Small supermarkets	10,900
Limited range discount stores	1,600
Freezer centres	900
Warehouses and distribution	900
Wholesale food distribution	700
Food manufacturing	700
Central and regional administration	2,200
Total	30,200

Financing of the acquisition of Allied

The consideration receivable by Allied (Holdings) for Allied amounts to approximately £101 million, which is being settled through the allotment of the 95 million new ordinary shares and through cash. The cash element of the consideration represents the difference between the consideration and the gross cash proceeds of the Offer for Sale and is estimated in the table below on the basis of different striking prices for the new ordinary shares (in multiples of 5p for illustration only) which may be achieved under the Offer for Sale.

Striking price of new ordinary shares	85p (minimum striking price)	90p	95p	100p (maximum striking price)
	£m	£m	£m	£m
Gross cash proceeds of Offer for Sale	81	85	90	95
Cash element of the consideration	20	16	11	6
Estimated total consideration before expenses	101	101	101	101

The above table thus indicates that the cash element of the consideration, to be financed by new term loans, reduces as the price at which the new ordinary shares are sold increases. In addition, interest on the consideration, estimated to be £2.5 million, is payable in respect of the period from 16th April, 1982 up to the date of completion. Argyll will at the same time have the benefit of the profits of the Allied group arising since 3rd April, 1982. Further details of the financial terms of the acquisition are given in Appendix III.

The term loans to finance the cash element of the consideration and interest and expenses are being provided by Samuel Montagu and Midland Bank plc. Details of these loans are given in paragraph 6 (xiv) of Appendix V.

Terms of the Offer for Sale

The 95 million new ordinary shares are being offered for sale by Samuel Montagu by means of a tender offer whereby applicants choose a price of between a minimum of 85p per share and a maximum of 100p per share at which they wish to apply.

When the application list for the new ordinary shares has been closed, the applications will be considered with a view to providing an appropriate distribution of shares among large and small investors and to establishing a market in the new ordinary shares for which a reasonable spread of shareholdings is required. The striking price will then be determined by Samuel Montagu and all the shares will be sold at the one striking price. The striking price, which will be not less than 85p per share, will not necessarily be the highest price at which sufficient applications (including applications at higher prices) are received to cover all the new ordinary shares being sold.

Applicants tendering at a price below the striking price will receive no allocation of shares and will have their cheques returned to them. If any applications at or above the striking price are accepted in part only, applicants will have any surplus amount following allocation returned to them.

The new ordinary shares will rank pari passu with the existing ordinary shares currently in issue, save that they will not rank for the proposed scrip issue of warrants described in paragraph 1 of Appendix V, nor for a dividend of 2.25p per share, which was declared on 10th May, 1982, to be paid on 27th August, 1982; this dividend will be paid as a second interim dividend in lieu of a final dividend in respect of the fifty two week period ended 27th March, 1982.

The new ordinary shares will rank for the interim dividend proposed to be paid in November, 1982 in respect of the year to March, 1983, which is forecast to be 1.25p per share, as referred to below.

Details of how to apply for the new ordinary shares now being offered for sale are set out in "Procedure for Application" at the end of this document.

Preferential applications

Of the 95,000,000 new ordinary shares being offered for sale, a maximum of 21,804,724 new ordinary shares, representing approximately 23 per cent. of the shares being sold, is being made available for preferential applications, on the terms described above, by holders of existing ordinary and convertible preference shares of Argyll, on the register of members of Argyll at the close of business on 1st June, 1982. Such shareholders are entitled to make preferential applications on the following bases:

Ordinary shareholders	one new ordinary share for every two existing ordinary shares then held;
Convertible preference shareholders	145 new ordinary shares for every 200 convertible preference shares then held and so in proportion for holdings of any other amount (being an offering pro rata to the conversion rights attached to the convertible preference shares).

Fractional entitlements have been ignored.

A maximum of 1,000,000 new ordinary shares is being reserved for preferential applications by the management and employees both of the former Argyll group and of the Allied group, on the terms described above. In the event that the aggregate applications from the management and employees exceed 1,000,000 new ordinary shares, allocations to management and employees may be limited to 10,000 new ordinary shares per individual applicant. Applications for more than 1,000,000 new ordinary shares will then be treated on the same basis as that of the other applications not subject to preferential treatment.

In the event that applications for new ordinary shares at or above the striking price are received for a total in excess of the number available, preferential applications at or above the striking price will be accepted in full on the bases described above, and other applications will be scaled down. No allocation will be made in respect of applications, whether preferential or otherwise, for new ordinary shares at prices tendered below the striking price.

The preferential invitations for shareholders of Argyll, together with those for employees, are not transferable or assignable and, accordingly, do not represent a benefit which may be claimed through the market, and are available only to shareholders named on the register at the close of business on 1st June, 1982 and to employees to whom the invitations are addressed.

Profits

Both the former Argyll group and the Allied group have made significant acquisitions over the last five years and, as referred to below, Allied has distributed very substantial levels of dividends over the period. Accordingly, it is not considered informative to set out a five year summary of pro forma profits before and after taxation, and earnings per share, of the combined group.

The table below summarises the turnover and trading profits before interest and exceptional items of the former Argyll group and the Allied group for the last five years. Detailed analyses of the turnover and trading profits, together with the bases on which they have been prepared, are set out in paragraph 4 of Appendix III.

	Years ended on or about 31st March, 1978	1979	1980	1981	1982
	£m	£m	£m	£m	£m
Turnover:					
Former Argyll group	20.0	19.5	30.0	90.6	229.8
Allied group	526.4	568.8	647.1	780.9	846.8
	546.4	588.3	677.1	871.5	1,076.6
Trading profits:					
Former Argyll group	0.2	(0.3)	0.7	1.8	7.0
Allied group — retailing	9.4	7.3	9.7	10.2	11.5
— property profits	0.8	4.0	4.3	4.5	2.4
Combined trading profit before interest and before certain other property profits	10.4	11.0	14.7	16.5	20.9

A table indicating the pro forma profits and earnings per share of the combined group for the year to end March, 1982, appears in paragraph 5 of Appendix III. This table shows that the pro forma profit before taxation of the combined group for the year to end March, 1982, after making pro forma adjustments for interest and other items, varies between £17.3 million and £19.4 million depending on the striking price of the new ordinary shares under the tender; as the striking price increases, so is a greater amount of cash raised from the Offer for Sale, leading to lower interest costs and higher profits and earnings per share.

Summaries of the trading results and earnings per share of the former Argyll group and of the Allied group for the last five years are set out in Appendices I and II, respectively.

It will be noted that the profits of the former Argyll group increased significantly subsequent to 1979 following the implementation by new management of a substantial programme of acquisitions and the development of new activities from that year.

Allied, as a wholly owned subsidiary of an international group, has distributed very substantial levels of dividends to the Allied (Holdings) group during the last five years, which have in total exceeded its profits after taxation. The directors of Argyll believe that the growth of Allied's business has been considerably restricted by this dividend policy and, in accordance with Argyll's present policy, would anticipate the retention of a substantially higher proportion of future profits within Allied, in order to finance the future expansion and development of operations, and thereby enhancing profit prospects.

Dividends

The directors forecast for the new Argyll group an interim dividend of 1.25p per ordinary share in respect of the year to March, 1983, proposed to be paid in November, 1982. The directors expect to recommend a final dividend of not less than 2.50p per ordinary share, making total dividends for the year to March, 1983 of not less than 3.75p per ordinary share. As previously stated, dividends in respect of the year to March, 1983 will be payable on all the ordinary shares in issue, including the new ordinary shares being offered for sale. It is the directors' intention that future dividend policy will broadly reflect the progress of the new Argyll group.

Prospects

The new Argyll group is a broadly based food retailer with substantial representation, and separate trading identities, within four important food retailing sectors.

Presto—large supermarkets and superstores

Presto, with turnover in the year to end March, 1982 of £435 million, has opened new Presto Food Markets in Manchester and Swansea since April, 1982, making a current total of 129 stores. New Presto Food Markets have an average sales area of approximately 18,000 square feet. Under Presto's store development programme, a further 6 stores are scheduled to open by March, 1983, mostly in the South of England, increasing the sales area of Presto stores to some 2.1 million square feet, which represents an increase of 91 per cent. since April, 1978. An additional 4 stores are under construction for opening after April, 1983 and negotiations are in progress to acquire further sites. By April, 1983 more than half of the total sales area of Presto (over 1,000,000 square feet) will have been remodelled into the Presto Food Market concept. The directors of Argyll believe that the Food Market concept offers attractive prospects for further development and they intend to give strong emphasis to the expansion of the Presto division.

Liptons—supermarkets

The Liptons division, which operates a total of 789 stores, with turnover in the year to end March, 1982 of £412 million, will continue its refit and modernisation programme. By April, 1983 271 stores, representing 46 per cent. of the Liptons division sales area, will have been refitted and modernised within the preceding four years.

The Liptons division's trading concept, based on a quality fresh food image in convenience locations, is expected to continue to offer sound prospects from stores trading in appropriate locations.

Lo-Cost—limited range discount stores

Lo-Cost, which operates a total of 157 limited range discount stores with an average sales area per store of some 3,400 square feet and total turnover at a current annual rate of around £100 million, including the recent acquisition of Pricerite stores, will continue its successful trading concept of providing mainly branded lines, and fresh food, in convenience locations at discount prices. Lo-Cost obtains 60 per cent. of its total volume from products distributed from its own warehouses.

It is planned that Lo-Cost's present regional concentration in the North West and West Midlands will be extended both through an acceleration of new store openings and through the conversion to the Lo-Cost trading format of suitable Liptons stores.

Cordon Bleu—freezer centres

Cordon Bleu, with turnover in the year to end March, 1982 of £49 million, has opened 4 new stores since April, 1982, of which 3 were conversions of Pricerite stores, to make a current total of 137 freezer centres. Cordon Bleu plans to open a total of 20 freezer centres during the year to March, 1983, including 5 Pricerite conversions.

It is considered that significant opportunities will exist for the accelerated expansion of Cordon Bleu through the selective conversion of a number of existing stores within the Liptons division into Cordon Bleu freezer centres in the course of the next two years and also to extend Cordon Bleu's penetration into the North East and Scotland, where it is not at present represented.

The former Argyll group's food wholesaling and manufacturing activities will represent some 10 per cent. of the total turnover of the new Argyll group. These activities are supplementary to the mainstream retail operation.

The directors consider that the capital funds required for developing new stores and for the modernisation and conversion of existing stores can be generated from current resources, from the cash flow of the business and from the disposal of surplus properties.

Summary

The directors of Argyll are confident of the trading prospects for the new Argyll group. Efficient food distribution, which involves the buying, physical distribution, marketing, administration and control of very substantial volumes of food products, is a business which offers significant benefits of scale. Accordingly, the directors of Argyll believe that the major opportunities for profit improvement and increased efficiencies resulting from such scale benefits are available both within the Allied group, to ensure its continued development and expansion as a strong and efficient national grocery retailer, and also from the combination of the complementary activities of Argyll and Allied.

Priority will be given to seeking to obtain through such profit improvement and efficiency programmes an increased net operating margin for each of the four retail operating divisions of the new Argyll group in line with best food industry sector performance and standards.

APPENDIX I
ACCOUNTANTS' REPORT ON THE FORMER ARGYLL GROUP

The following is a copy of a report on the former Argyll group received from Arthur Andersen & Co., Chartered Accountants:

The Directors,
Argyll Foods PLC,

Bank House,
9 Charlotte Street,
Manchester M1 4EU.

The Directors,
Samuel Montagu & Co. Limited.

4th June, 1982

Gentlemen,

We have audited the balance sheet of Argyll Foods PLC ("Argyll") and the consolidated balance sheet of Argyll Foods PLC and its subsidiaries (together the "former Argyll group") at 27th March, 1982 and the related consolidated profit and loss accounts and consolidated statements of source and application of funds for the five accounting periods ended on or about 31st December, 1977, 1978 and 1979, 28th March, 1981 and 27th March, 1982, prepared on the basis of the accounting policies set out in paragraph 4 below, in accordance with approved auditing standards.

The principal subsidiaries in the former Argyll group are set out in paragraph 4 below.

We were not the auditors of the former Argyll group for the years ended on or about 31st December, 1977 and 1978. The consolidated accounts for those years were reported on, without qualification, by another firm of Chartered Accountants. We were the auditors of the former Argyll group for the year ended 31st December, 1979, the fifteen month period ended 28th March, 1981 and the 52 week period ended 27th March, 1982.

In our opinion, the financial information presented in paragraphs 1 to 4 below for the five accounting periods ended 27th March, 1982, which is based on the audited accounts after making such adjustments as we consider necessary, gives a true and fair view, on the basis of the accounting policies set out in paragraph 4 below, of the state of affairs of Argyll and the former Argyll group at 27th March, 1982 and of the profits or losses and source and application of funds of the former Argyll group for each of the five accounting periods then ended, on a consistent basis.

Further, in our opinion the consolidated current cost accounts set out in paragraph 5 below have been properly prepared in accordance with the stated policies to give the information required by Statement of Standard Accounting Practice Number 16.

No audited accounts for any of the companies in the former Argyll group have been prepared in respect of any period since 27th March, 1982.

1. CONSOLIDATED PROFIT AND LOSS ACCOUNTS

The table below sets out the audited consolidated results of the former Argyll group for the five accounting periods ended 27th March, 1982.

	Notes	Years ended on or about 31st December, 1977	1978	1979	15 month period ended 28th March, 1981	52 week period ended 27th March, 1982
		£000	£000	£000	£000	£000
Turnover:						
Food manufacturing		—	—	1,519	5,225	15,263
Edible oil refining		—	—	—	3,456	23,211
Food distribution						
—grocery retail and wholesale		10,471	10,583	9,081	48,026	142,871
—freezer centres		—	—	3,695	45,323	48,414
Discontinued activities		9,539	9,564	8,519	—	—
		20,010	20,147	22,814	102,030	229,759
Trading profit/(loss) before group expenses:	(ii)					
Food manufacturing		—	—	320	746	1,482
Edible oil refining		—	—	—	67	573
Food distribution						
—grocery retail and wholesale		148	117	186	595	3,572
—freezer centres		—	—	138	1,135	1,863
Discontinued activities		297	(164)	(174)	—	—
		445	(47)	470	2,543	7,490
Group expenses		(156)	(187)	(154)	(412)	(443)
Profit on sale of a trading property	(ii)	—	—	—	—	533
Net interest expense	(iii)	(82)	(110)	(105)	(532)	(487)
Profit/(loss) before taxation and extraordinary items		207	(344)	211	1,599	7,093
Taxation credit/(charge)	(iv)	(98)	172	—	—	(687)
Profit/(loss) before extraordinary items		109	(172)	211	1,599	6,406
Extraordinary items	(v)	—	(572)	(373)	(111)	(1,147)
Net profit/(loss)		109	(744)	(162)	1,488	5,259
Dividends:						
Convertible preference shares		—	—	—	(64)	(86)
Ordinary shares		—	—	—	(757)	(1,368)
Transfer to/(from) revenue reserves		109	(744)	(162)	667	3,805
Revenue reserves at beginning of period		730	839	95	(67)	600
Transfer to capital redemption reserve		—	—	—	—	(32)
Revenue reserves/(deficit) at end of period		839	95	(67)	600	4,373
Earnings/(loss) per share	(vi)	0.7p	(1.2p)	1.2p	5.3p	15.0p
Dividends per share:						
Convertible preference		—	—	—	6.0p	8.0p
Ordinary		nil	nil	nil	2.0p	3.25p

2. BALANCE SHEETS

The table below sets out the audited balance sheet of Argyll and the audited consolidated balance sheet of the former Argyll group at 27th March, 1982.

	Notes	Argyll 27th March, 1982		Former Argyll group 27th March, 1982	
		£000	£000	£000	£000
Assets employed:					
Fixed assets	(vii)		202		25,653
Goodwill			—		8,136
Interest in subsidiaries			28,089		—
Current assets:					
Stocks		—		27,750	
Debtors		251		8,162	
Cash		1,141		997	
		1,392		36,909	
Less: Current liabilities:					
Corporation tax		406		1,295	
Creditors		398		39,755	
Dividends		947		947	
Bank overdrafts (secured)		—		30	
		1,751		42,027	
Net current liabilities			(359)		(5,118)
			27,882		28,671
Financed by:					
Shareholders' funds:					
Share capital	(viii)		5,249		5,249
Share premium			12,228		12,228
Capital redemption reserve			32		32
Revenue reserves			4,373		4,373
			21,882		21,882
Deferred taxation	(ix)		—		489
Deferred purchase consideration			—		300
Bank loans (secured)	(x)		6,000		6,000
			27,882		28,671

3. CONSOLIDATED STATEMENTS OF SOURCE AND APPLICATION OF FUNDS

The table below sets out the audited consolidated statements of source and application of funds of the former Argyll group for the five accounting periods ended 27th March, 1982.

	Notes	Years ended on or about 31st December, 1977	1978	1979	15 month period ended 28th March, 1981	52 week period ended 27th March, 1982
Source of funds:		£000	£000	£000	£000	£000
Arising from/(absorbed by) operations:						
Profit/(loss) before taxation and extraordinary items		207	(344)	211	1,599	7,093
Extraordinary items before taxation		—	(750)	(373)	(111)	(1,447)
		207	(1,094)	(162)	1,488	5,646
Adjustments for items not involving the movement of funds:						
Depreciation		112	156	265	1,361	2,809
Profit on sale of fixed assets		(79)	(13)	(12)	(146)	(629)
Profit on sale of subsidiary		—	—	—	—	(21)
Provisions for losses on fixed assets held for sale		—	103	127	—	—
Total arising from/(absorbed by) operations		240	(848)	218	2,703	7,805
Other sources:						
Proceeds from sale of fixed assets		135	24	66	790	1,354
Proceeds from sale of subsidiary	(xi)	—	—	—	—	76
Estimated proceeds from fixed assets held for sale		—	386	602	166	—
Proceeds from issues of shares		—	—	1,284	15,768	—
Consideration due to vendors of subsidiaries		—	—	1,000	—	—
Deferred purchase consideration		—	—	—	400	—
Bank loans		—	—	1,170	12,650	—
Taxation recovered		3	—	—	5	10
Decrease in working capital requirement		—	575	2,498	3,709	3,032
Total source of funds		378	137	6,838	36,181	12,277

ARGYLL FOODS PLC

Continued

		1977	1978	1979	1981	1982
Application of funds:						
Purchase of fixed assets		320	180	413	4,905	3,848
Bank loans repaid		—	—	—	7,320	—
Acquisition of subsidiaries	(xi)	—	—	4,546	25,051	—
Consideration due to vendors of subsidiaries		—	—	—	1,000	—
Deferred purchase consideration		—	—	—	—	100
Additional payments for Cordon Bleu		—	—	—	680	—
Goodwill arising on acquisitions of businesses		—	—	—	971	1,509
Debentures repaid		—	—	—	470	—
Taxation paid		—	—	95	—	689
Dividends paid		—	—	—	374	1,138
Increase in working capital requirement		216	—	—	—	—
Total application of funds		536	180	5,054	41,171	12,264
Increase/(decrease) in cash and bank balances		(158)	(43)	1,764	(4,990)	13
Increase/(decrease) in working capital requirement:						
Stocks		302	(447)	(615)	1,870	3,099
Debtors		130	(551)	(582)	(4,197)	290
Assets held for sale		—	1,114	(173)	(961)	(765)
Creditors		(216)	(391)	(778)	(907)	(5,656)
Consideration due to vendors of a subsidiary		—	—	(480)	450	—
		216	(575)	(2,498)	(3,703)	(3,083)

4. NOTES TO THE FINANCIAL INFORMATION

Notes (ii) to (xiv) below refer to the consolidated profit and loss accounts, balance sheet and statements of source and application of funds of the former Argyll group, except where otherwise relevant or where it is indicated that they refer to Argyll.

(i) Accounting policies

The accounts have been prepared on the historical cost basis using the following accounting policies:

Principles of consolidation

The consolidated accounts comprise the accounts of Argyll and its subsidiaries, after eliminating all significant inter-company balances and transactions. Subsidiaries are accounted for as from their effective date of acquisition or disposal, as defined by Statement of Standard Accounting Practice Number 14.

Interest in subsidiaries

Argyll accounts for interests in subsidiaries under the equity method whereby such interests are stated at cost, adjusted for retained profits and losses since acquisition.

Goodwill

Goodwill represents the excess of the purchase consideration and acquisition expenses of the subsidiaries and businesses acquired over the fair values attributed to the related net assets at the dates of acquisition. Goodwill is carried forward unamortised, unless the directors are of the opinion that there has been a permanent diminution in value.

Fixed assets

Fixed assets are stated at cost less accumulated depreciation. Depreciation is provided to write off the cost of the assets over their estimated economic lives on a straight-line basis. The current annual depreciation rates used are as follows:

Freehold and long leasehold buildings	2%
Short leasehold buildings	term of lease
Plant and equipment	10-12½%
Motor vehicles	25%

Stocks

Stocks are stated at the lower of first-in, first-out cost and net realisable value. The cost of manufactured products includes an appropriate proportion of manufacturing overheads.

Assets held for sale

Assets held for sale in respect of discontinued activities or those surplus to the requirements of the continuing activities are included in current assets at the lower of their net book value and estimated net realisable value.

Turnover

Turnover represents sales to external customers less returns and allowances and is exclusive of value added tax.

Foreign currency items

Transactions in foreign currencies are translated into sterling at the rates of exchange current at the dates of the transactions. Foreign currency items in the balance sheets are translated into sterling at the rates of exchange ruling at the end of the periods. Resulting exchange gains and losses are reflected in the consolidated profit and loss accounts.

Taxation

Corporation tax is provided on the taxable profits for the periods at the rate current during the periods. Deferred taxation is provided, using the liability method, in respect of tax allowances for fixed assets in excess of depreciation provided in the accounts and other timing differences except to the extent that the directors are satisfied that the tax benefits resulting from these timing differences will continue in the foreseeable future.

(ii) Trading profit/(loss) after group expenses

Trading profit/(loss) after group expenses for the former Argyll group has been determined after charging/(crediting) the following items:

	Years ended on or about 31st December, 1977	1978	1979	15 month period ended 28th March, 1981	52 week period ended 27th March, 1982
	£000	£000	£000	£000	£000
Depreciation	112	155	265	1,361	2,809
Profit on sale of fixed assets	(79)	(13)	(12)	(146)	(98)

The profit on sale of a trading property of £533,000 arising in the 52 week period ended 27th March, 1982, shown as an exceptional item, arose on the sale for development purposes of a property previously used in the trade of the former Argyll group.

(iii) Net interest expense

Net interest expense for the former Argyll group comprises:

	Years ended on or about 31st December, 1977	1978	1979	15 month period ended 28th March, 1981	52 week period ended 27th March, 1982
	£000	£000	£000	£000	£000
Bank loans repayable 1986/88	—	—	—	253	931
Other bank loans and overdrafts	32	110	105	279	32
Interest income on bank balances and cash	—	—	—	—	(476)
	32	110	105	532	487

(iv) Taxation

The taxation credit/(charge) for the former Argyll group comprises:

	Years ended on or about 31st December, 1977	1978	1979	15 month period ended 28th March, 1981	52 week period ended 27th March, 1982
	£000	£000	£000	£000	£000
United Kingdom corporation tax at 52%	—	—	—	—	(389)
Deferred taxation	(98)	172	—	—	—
Unrelieved advance corporation tax written off	—	—	—	—	(611)
Write back of provision for development land tax	—	—	—	—	313
	(98)	172	—	—	(687)

In the 52 week period ended 27th March, 1982, the taxation charge has been reduced by the tax benefit of stock relief of £1,028,000 and deferred taxation not provided of £2,533,000. In the year ended 31st December, 1979 and the 15 month period ended 28th March, 1981, the taxation charge was eliminated by the tax benefit of stock relief and by deferred taxation not provided during those periods, and by tax losses carried forward from previous years. Because of the effect of the significant acquisitions during the course of these periods, the amounts involved are not determinable.

(v) Extraordinary items

Extraordinary items for the former Argyll group comprise:

	Years ended on or about 31st December, 1977	1978	1979	15 month period ended 28th March, 1981	52 week period ended 27th March, 1982
	£000	£000	£000	£000	£000
Net costs relating to offer for Linfood Holdings Limited which did not proceed	—	—	—	—	(1,447)
Net costs relating to discontinued activities	—	(750)	(373)	(111)	—
Taxation relief on extraordinary items	—	178	—	—	300
	—	(572)	(373)	(111)	(1,147)

(vi) Earnings/(loss) per share

Earnings/(loss) per share for each period are based on profits or losses attributable to the ordinary shareholders, being profits or losses after taxation and before extraordinary items less dividends on convertible preference shares where these are applicable, and the weighted average number of ordinary shares in issue during the period. Earnings/(loss) per share have been adjusted for changes in the issued share capital.

The issue of convertible preference shares and options under The Argyll Executive Share Option Scheme has not resulted in a material dilution of earnings per share during any period.

(vii) Fixed assets

Fixed assets at 27th March, 1982 comprise:

	Cost	Accumulated depreciation	Net book value
	£000	£000	£000
Former Argyll group:			
Land and buildings:			
Freehold	7,739	337	7,402
Long leasehold	1,893	69	1,824
Short leasehold	3,188	554	2,634
Plant, equipment and vehicles	25,500	11,407	14,093
	38,320	12,367	25,953
Argyll:			
Plant, equipment and vehicles	300	98	202

(viii) Share capital

The share capital of Argyll at 27th March, 1982 comprises:

	Authorised Number of shares	Nominal £000	Issued Number of shares	Nominal £000
Ordinary shares of 10p each	55,000,000	5,500	42,104,693	4,211
5 per cent. convertible redeemable cumulative preference shares of £1 each	4,483,048	4,483	1,037,763	1,038
Unclassified shares of 10p each	315,520	32		
		10,000		5,249

(ix) Deferred taxation

Deferred taxation provided in the balance sheet of the former Argyll group at 27th March, 1982 and the total potential liability at that date, including the amounts provided, comprises:

	Potential liability	Provided
	£000	£000
Stock relief	188	685
Tax allowances in excess of recorded depreciation	6,763	85
Other timing differences	(352)	(280)
Capital gains deferred by roll-over relief	630	—
Tax effect of unutilised losses available for carry forward	(2,309)	—
Advance corporation tax recoverable	(611)	—
	4,309	489

(x) Bank loans

Argyll has secured bank loans jointly from Midland Bank plc and Samuel Montagu & Co. Limited of £6,000,000. The loans are for a period of seven years from 6th February, 1981, with three repayments each of £2,000,000 due on the fifth, sixth and seventh anniversaries of drawdown. Interest on the loans is based on a rate of 1¼ per cent. over the London Interbank Offered Rate.

(xi) Acquisition and sale of subsidiaries

The effects on the consolidated statements of source and application of funds of the acquisition and sale of subsidiaries are:

	Years ended on or about 31st December, 1977	1978	1979	15 month period ended 28th March, 1981	52 week period ended 27th March, 1982
	£000	£000	£000	£000	£000
Fixed assets	—	—	2,234	15,007	(12)
Goodwill	—	—	—	122	—
Current assets:					
Stocks	—	—	2,536	19,998	(37)
Debtors	—	—	398	11,125	(141)
Assets held for sale	—	—	—	784	—
Cash	—	—	423	6,916	—
	—	—	3,357	38,836	(168)
Current liabilities:					
Corporation tax	—	—	264	1,407	(14)
Creditors	—	—	2,683	27,237	(94)
Dividends	—	—	—	34	—
Bank overdrafts	—	—	321	1,544	(12)
	—	—	3,267	30,572	(120)
Net current assets/(liabilities)	—	—	90	8,254	(48)
Deferred taxation	—	—	—	(494)	5
Debentures	—	—	—	(470)	—
Net assets acquired/(sold)	—	—	2,324	22,419	(55)
Goodwill/(profit on sale)	—	—	2,222	2,632	(21)
Consideration, including acquisition expenses	—	—	4,546	25,051	(76)
Consideration satisfied by way of:					
Cash: to vendors/(from purchasers)	—	—	3,250	19,570	(80)
acquisition and disposal expenses	—	—	296	1,063	4
Shares: issued	—	—	—	4,418	—
due to be issued	—	—	1,000	—	—
	—	—	4,546	25,051	(76)

(xii) Commitments and contingent liabilities

Commitments and contingent liabilities of the former Argyll group at 27th March, 1982 comprise:

	£000
(a) Capital commitments	
Contracted for	512
Authorised but not contracted for	275
	787

(b) Lease commitments

The former Argyll group leases a number of properties for which the current net annual rentals amount to approximately £3,670,000.

(c) Pension scheme

The former Argyll group maintains contributory defined benefits pension schemes for certain eligible employees. The costs under these schemes were approximately £184,000 in the 52 week period ended 27th March, 1982.

(xiii) Development of group structure and principal subsidiaries

Argyll was incorporated in England on 6th December, 1939 under the name of Louis C. Edwards & Sons (Manchester) Limited to acquire a meat processing business founded in 1919. Its shares were listed on The Stock Exchange in 1962 and its name was changed to Argyll Foods Limited (now Argyll Foods PLC) on 29th July, 1980.

In February, 1979, Gulliver Foods Limited acquired an interest in 20 per cent. of the then issued share capital of Argyll. At the same time, Gulliver Foods Limited assumed a central role in the management and direction of Argyll with the objective of expanding Argyll's scale of operation and product base. Since that date, a substantial number of acquisitions and changes have taken place, the most significant being summarised below:

Effective date of acquisition	Company or business acquired	Consideration £m
May, 1979	Yorkshire Biscuits Limited	1.8
November, 1979	Cordon Bleu Freezer-Food Centres Limited	2.6
March, 1980	Morgan Edwards Limited	4.1
October, 1980	66 Freezer Fare stores	1.5
February, 1981	Oriel Foods Limited	19.5
	The principal trading subsidiaries of Oriel Foods Limited at that time were: Mojo Carryway Limited; Lo-Cost Stores Limited; Snowking Frozen Foods Limited; Liverpool Central Oil Company Limited; Gold Crown Foods Limited	
January, 1982	67 Pricerite stores	3.0

In view of the substantial changes which have taken place in the former Argyll group and to its subsidiaries subsequent to their acquisition during the five year period covered by this report, it is not considered meaningful to include within this report a five year record for each of the companies acquired. In order to facilitate the comparison of the group in the year to 27th March, 1982, with the preceding 15 month period, the table below summarises on a pro forma basis turnover and trading profit before group expenses of the individual entities now comprising part of the former Argyll group as if they had been members of the group throughout the fifteen month period. The financial information included below has been extracted from the audited accounts of the individual companies on a time apportionment basis, and excludes exceptional and extraordinary items and interest. In preparing this analysis, no account has been taken of the turnover and trading profit of Freezer Fare and Pricerite stores prior to their acquisition, as comparable trading information on these is not available.

	Pro forma information on 15 month period ended 28th March, 1981 Turnover	Trading profit before group expenses
	£000	£000
Food manufacturing	19,919	721
Edible oil refining	33,361	1,419
Food distribution:		
—grocery retail and wholesale	172,925	3,985
—freezer centres	45,323	1,135
	270,524	7,260

Subsidiaries whose assets or results are now considered to be material to the former Argyll group are:

Company	Business	Date of incorporation	Issued share capital £
Oriel Foods Limited	Sub-holding company	6th February, 1959	1,379,407
Argyll Foods (Properties) Limited	Sub-holding company	20th November, 1919	3,442,692
Morgan Edwards Limited	Sub-holding company	28th March, 1955	334,286
Argyll Quality Foods Limited	Biscuit and cake manufacturer	15th April, 1958	522,000
Yorkshire Biscuits Limited	Biscuit manufacturer	14th September, 1971	18,000
Furniss & Co., Limited	Biscuit and confectionery manufacturer	17th July, 1895	240,000
Paterson's Scottish Shortbread Limited	Biscuit manufacturer	23rd November, 1936	37,849
Purdy Cakes Limited	Cake manufacturer	30th January, 1964	40,400
Gold Crown Foods Limited	Tea and coffee blenders	16th February, 1916	24,000
Liverpool Central Oil Company Ltd.	Edible oil refiner	27th September, 1904	244,000
Cordon Bleu Freezer-Food Centres Ltd.	Frozen food retailer	14th April, 1966	158,193
Snowking Frozen Foods Limited	Frozen food wholesaler	18th October, 1961	30,000
Lo-Cost Stores Limited	Grocery retailer	14th April, 1924	109,848
Edwards Meats Limited	Fresh meat retailer	24th May, 1963	10,000
Mojo Carryway Limited	Cash and carry wholesaler	9th February, 1967	380,975

The table set out above includes the former Argyll group's principal subsidiaries, all of which are wholly owned. All subsidiaries are incorporated in England, with the exception of Argyll Quality Foods Limited and Paterson's Scottish Shortbread Limited which are incorporated in Scotland.

(xiv) Restatement of accounts at 31st December, 1979

The consolidated statement of source and application of funds for the year ended 31st December, 1979 given in this report has been restated on the basis that the effective date of acquisition of a subsidiary, Morgan Edwards Limited, was 28th March, 1980 and not 31st December, 1979, as originally shown in the accounts to 31st December, 1979. Consequently, the reference to the consolidated profit and loss account of this subsidiary in the report of the auditors in the published accounts of the former Argyll group for the year ended 31st December, 1979 is not repeated in this report.

The turnover and operating profit of Morgan Edwards Limited for the three month period ended 28th March, 1980 are not included in the consolidated profit and loss account for the fifteen month period ended 28th March, 1981 given in this report.

5. CURRENT COST ACCOUNTS

The tables below set out the consolidated current cost balance sheet of the former Argyll group at 27th March, 1982, and the consolidated current cost profit and loss accounts for the two accounting periods then ended:

	Notes	15 month period ended 28th March, 1981	52 week period ended 27th March, 1982
(a) Consolidated current cost profit and loss accounts		£000	£000
Turnover		102,030	229,759
Historical cost profit before taxation and interest, after group expenses		2,131	7,047
Historical cost profit on sale of a trading property		—	533
Current cost operating adjustments	(ii)	(745)	(2,054)
Current cost operating profit		1,386	5,526
Interest expense		(532)	(487)
Gearing adjustment	(iii)	292	640
Current cost profit before taxation		1,146	5,679
Taxation		—	(687)
Current cost profit before extraordinary items		1,146	4,992
Extraordinary items		(111)	(1,147)
Current cost profit attributable to shareholders		1,035	3,845
Dividends		(321)	(1,454)
Current cost retained earnings		714	2,391
Revenue reserves/(deficit) at beginning of period		(67)	147
Transfer to capital redemption reserve		(500)	(32)
Revenue reserves at end of period		147	2,506
Current cost earnings per share	(iv)	3.1p	11.7p

(b) Consolidated current cost balance sheet	Notes		27th March, 1982
			£000
Assets employed:			
Fixed assets	(v)		32,523
Goodwill			8,136
Current assets:			
Stocks		27,750	
Debtors		8,162	
Cash		997	
		36,909	
Less: Current liabilities:			
Corporation tax		1,295	
Creditors		39,167	
Dividends		947	
Bank overdrafts (secured)		30	
		41,439	
Net current liabilities			(4,530)
			36,129
Financed by:			
Shareholders' funds:			
Share capital			5,249
Share premium			13,228
Capital redemption reserve			32
Revenue reserves			2,506
Current cost reserve	(vi)		9,325
			29,340
Deferred taxation			489
Deferred purchase consideration			300
Bank loans (secured)			6,000
			36,129

(c) Notes to current cost accounts

(i) Basis of accounting

The current cost accounts have been prepared in accordance with Statement of Standard Accounting Practice Number 16, adopting the accounting policies set out in paragraph 4 of this Appendix as modified below.

The current cost system, whilst not a system of accounting for general inflation, allows for price changes specific to the group when reporting assets employed and profits earned. The current cost operating profit is the surplus before interest and taxation arising from the ordinary activities of the business. It is determined after allowing for the impact of price changes on the net operating assets (fixed assets, stocks and monetary working capital) needed to maintain the operating capability of the former Argyll group. This result is achieved by making adjustments to trading profit before interest calculated on the historical cost basis. These adjustments are described in note (ii).

Corresponding amounts for the previous period are shown in values relating to that period, without further adjustment.

The current cost accounts can only give an approximate indication of the effects of inflation on the former Argyll group, and may show significant fluctuations from one period to the next.

(ii) Current cost operating adjustments

These comprise:

	Notes	15 month period ended 28th March, 1981	52 week period ended 27th March, 1982
		£000	£000
Depreciation	(a)	381	1,281
Cost of sales	(b)	868	1,945
Monetary working capital	(c)	(636)	(1,601)
Loss on sale of fixed assets	(d)	132	429
		745	2,054

(a) Depreciation adjustment:

This represents the difference between depreciation calculated on the closing fixed asset balance sheet values for current cost accounts purposes and depreciation charged in the historical cost accounts. It has been calculated by applying the former Argyll group's annual rates of depreciation to the estimated current cost of the assets employed. The estimated current cost has been arrived at by using relevant indices published by the Central Statistical Office which reflect the changes in input prices experienced by the former Argyll group.

Asset lives were reviewed by the directors upon the introduction of current cost accounting and the lives used for the historical cost accounts were considered to be appropriate.

(b) Cost of sales adjustment:

This represents the difference between the historical cost of purchase or manufacture of goods sold and the estimated current cost of those goods at the time of sale. It has been computed by applying the averaging method using relevant indices published by the Central Statistical Office which reflect the changes in input prices experienced by the former Argyll group.

Stock has not been revalued in the balance sheet as any adjustment would not be material.

(c) Monetary working capital adjustment:

This represents the effect of price changes on the monetary working capital needed to support the operating capability of the former Argyll group. It is calculated on trade debtors and creditors using the averaging method and applying the price indices appropriate to stocks, debtors and creditors.

(d) Loss on sale of fixed assets:

This represents the difference between the historical and current cost net book values of fixed assets sold during the period.

(iii) Gearing adjustment

The gearing adjustment represents the proportion of the current cost operating adjustments which is financed by net borrowings rather than by shareholders' funds. It has been calculated on a group basis using the method illustrated in the Guidance Notes to the Statement of Standard Accounting Practice Number 16.

(iv) Current cost earnings per share

Current cost earnings per share are based on current cost profits before extraordinary items, less dividends on convertible preference shares, and the weighted average number of ordinary shares in issue during the period.

(v) Fixed assets

Freehold and leasehold properties are stated at their value to the business. This has been calculated by applying those specific indices published by the Central Statistical Office which are considered most appropriate to the business concerned, to valuations performed as at 28th March, 1981. These valuations were prepared on the basis of the estimated open market values of the properties in their existing use, mostly by personnel of Argyll's property department. However, properties with significant unit values were valued by external valuers who also carried out sample valuations of the retail properties in order to corroborate the internal valuations.

Plant, equipment and motor vehicles is stated at its value to the business, being the lower of indexed historic cost less accumulated depreciation and recoverable amount. Indexed historic costs are calculated using those specific indices published by the Central Statistical Office considered to be the most appropriate to the business concerned. No account has been taken of changes in the rate or availability of government grants.

Consolidated fixed assets at 27th March, 1982 comprise:

	Current cost	Accumulated depreciation	Net current cost value
	£000	£000	£000
Land and buildings	12,985	952	12,033
Plant, equipment and vehicles	38,974	18,484	20,490
	51,959	19,436	32,523

(vi) Current cost reserve

The current cost reserve at 27th March, 1982 comprises:	£000
Surplus on revaluations of fixed assets	9,093
Write back of dilapidations provisions	588
Cost of sales adjustment	2,813
Monetary working capital adjustment	(2,237)
Gearing adjustment	(932)
	9,325

The current cost reserve represents the amounts set aside by the former Argyll group to maintain the operating capability of its business to the extent that this has not already been allowed for in the historical cost accounts.

Yours faithfully,
ARTHUR ANDERSEN & CO.
Chartered Accountants.

APPENDIX II

ACCOUNTANTS' REPORT ON THE ALLIED GROUP

The following is a copy of a report on the Allied group received from Price Waterhouse, Chartered Accountants:

The Directors,
Argyll Foods PLC,

Southwark Towers,
32 London Bridge Street,
London SE1 9SY.

The Directors,
Samuel Montagu & Co. Limited.

4th June, 1982

Gentlemen,

We have examined the audited financial statements of Allied Suppliers Limited ("Allied") and its subsidiaries (together the "Allied group") for the five accounting periods ended 3rd April, 1982. These financial statements were prepared under the historical cost convention as modified by the revaluation of certain land and buildings. The principal operating subsidiaries in the Allied group are set out in note (xiv) in paragraph 4 of this report.

Throughout the period covered by this report, Allied was a wholly owned subsidiary of Allied Suppliers (Holdings) Limited ("Allied (Holdings)") which itself is a wholly owned subsidiary of Generale Occidentale, a company incorporated in France. We have been auditors of all companies in the Allied group for all periods relevant to this report.

In our opinion, the financial information set out below, which has been prepared from the audited financial statements after making such adjustments as we consider appropriate, gives, under the modified historical cost convention, a true and fair view of the state of affairs of the Allied group at 3rd April, 1982 and of the profits and source and application of funds of the Allied group for the five periods then ended.

No audited financial statements for any of the companies in the Allied group have been prepared in respect of any period since 3rd April, 1982.

1. CONSOLIDATED PROFIT AND LOSS ACCOUNTS

The table below summarises the results of the Allied group for the five accounting periods ended 3rd April, 1982 on the following bases:

(i) the results of the Allied group as published have been adjusted so as to include the results of Moores-Wrights Group Limited ("Moores-Wrights") and its subsidiaries (together the "Moores-Wrights group") for the entire five year period, because the Moores-Wrights group was acquired for shares and was managed by Allied throughout that period;

(ii) the profits before taxation of Alliance Property Holdings Limited ("Alliance") and its subsidiaries (together "the Alliance group"), and Argyle Securities Limited ("Argyle Securities") and its subsidiaries (together the "Argyle Securities group") since acquisition by Allied, which are included within profit before taxation, have also been separately identified at the foot of the table. These groups were acquired by Allied for shares, but the level and nature of their activities were significantly different prior to acquisition, and accordingly it has not been considered appropriate to include in the table the profits of these groups prior to their acquisition by Allied.

	Notes	Periods ended on or about 31st March, 1978	1979	1980	1981	1982
		£000	£000	£000	£000	£000
Turnover:						
Presto division		166,677	202,524	267,608	376,142	434,969
Liptons division		359,737	366,330	379,515	404,804	411,760
		526,414	568,854	647,123	780,946	846,729
Trading profit:						
Retailing		9,375	7,178	9,701	10,230	11,525
Property income and disposals:						
Profit on sale of surplus trade properties and on supermarket developments		909	4,407	3,910	3,976	2,470
Profit on sale of non-trade properties and non-recurring profits		—	—	337	808	350
Rental income less expenses		(87)	(365)	436	468	(40)
		10,197	11,220	14,384	15,482	14,305
Net interest receivable/(payable)	(ii)	1,212	1,803	3,050	(164)	870
		11,409	13,023	17,434	15,318	15,175
Net profit on sale and leaseback of certain properties		2,202	—	1,490	—	493
Profit before taxation		13,611	13,023	18,924	15,318	15,668
Taxation (charge)/credit	(iii)	(5,162)	2,160	518	(68)	3
Profit after taxation		8,449	15,183	19,442	15,250	15,671
Minority interest		—	—	—	(13)	(28)
Extraordinary items	(v)	635	550	—	—	—
		9,084	15,733	19,442	15,237	15,643
Dividends		(18,301)	(20,840)	(17,001)	(20,968)	(27,000)
Transfer to/(from) reserves		(9,217)	(5,107)	2,441	(5,731)	(11,357)
Earnings per share	(vi)	32.0p	57.4p	64.4p	45.5p	41.4p
Retail trading profit is stated after charging:						
Management charges paid to Allied (Holdings)		666	848	1,310	1,450	1,600
Depreciation		2,796	3,458	4,107	5,305	6,290
Profit before taxation includes the following profits:						
The Alliance group since acquisition	(xiv)	—	—	1,371	3,023	1,348
The Argyle Securities group since acquisition	(xiv)	—	—	—	218	919

2. CONSOLIDATED BALANCE SHEET

	Notes		3rd April, 1982
		£000	£000
Assets employed:			
Fixed assets	(vii)		107,370
Goodwill			260
Premium on debt	(viii)		1,389
Property assets held for sale	(i)		2,601
			111,620
Current assets:			
Stocks		80,152	
Debtors		8,887	
Property assets held for sale	(i)	3,736	
Net amount due from Generale Occidentale group companies		27,171	
Bank balances and cash		14,319	
		134,265	
Less: Current liabilities:			
Creditors and provisions		108,316	
Loan capital repayable within one year	(x)	4,525	
Taxation		987	
Ordinary dividend		27,000	
		140,828	
Net current liabilities			(6,563)
			105,057
Financed by:			
Shareholders' funds:			
Share capital	(ix)		18,918
Share premium			41,556
Revenue reserves			6,246
			66,720
Loan capital	(x)		35,057
Provision for unfunded pensions	(xi)		3,233
Minority interest			47
			105,057

3. CONSOLIDATED STATEMENTS OF SOURCE AND APPLICATION OF FUNDS

The table below includes the Moores-Wrights group as part of the Allied group for the entire five year period. The effects of acquisitions (excluding the acquisition by Allied of the Moores-Wrights group) and disposals during the five years are shown below.

	Notes	Periods ended on or about 31st March, 1978	1979	1980	1981	1982
		£000	£000	£000	£000	£000
Source of funds:						
Profit before taxation		13,611	13,023	18,924	15,318	15,668
Extraordinary items before taxation		622	550	—	—	—
Depreciation		2,796	3,458	4,107	5,305	6,290
Write-off of premium on debt		—	—	—	28	83
		17,029	17,031	23,031	20,651	22,041
Issue of share capital		—	—	12,361	23,228	—
Movement on minority interest		—	—	7	(2)	—
Disposal of fixed assets and of assets held for sale:						
Trade properties and other fixed assets		6,447	5,640	4,248	5,009	3,932
Non trade properties		—	—	4,584	4,199	7,025
Provision for unfunded pensions		—	—	41	26	58
Taxation and group relief		444	—	303	188	2
Lease loan capital		443	1,976	461	3,533	1,883
Other loan capital		—	—	17,881	8,861	—
Working capital decrease	(xii)	8,082	3,185	7,305	—	4,972
Total source of funds		32,445	27,831	70,717	65,688	39,913

ARGYLL FOODS PLC

ARGYLL FOODS PLC *Continued*

Application of funds:					
Premium on debt arising on acquisition of Argyle Securities	—	—	—	1,500	—
Purchase of fixed assets and of assets held for sale:					
Trade properties and other fixed assets	7,877	14,526	27,798	22,835	30,987
Non trade properties	—	—	15,404	314	21
Repayment of loans	1,095	39	476	54	1,168
Taxation and group relief payments	552	2,653	57	419	152
Generale Occidentale group companies	8,350	(12,774)	(3,686)	23,730	(5,060)
Working capital increase (xii)	—	—	—	907	—
Dividends paid	11,101	27,301	25,840	16,569	7,400
Total application of funds	28,975	32,655	65,889	66,828	34,668
Increase/(decrease) in bank balances	3,469	(4,224)	4,828	(640)	5,245
Effects of acquisitions and disposals: (xiv)					
Source of funds:					
Extraordinary items before taxation	335	—	—	—	—
Issue of share capital	—	—	12,361	23,223	—
Acquisition of minority interest	—	—	7	—	—
Disposal of fixed assets	499	—	—	—	—
Taxation and group relief	—	—	673	178	—
Other loan capital	—	—	17,881	8,361	—
Working capital decrease	2,868	—	—	—	—
Total source of funds	3,702	—	30,922	31,762	—
Application of funds:					
Premium on debt arising on acquisition of Argyle Securities	—	—	—	1,500	—
Purchase of fixed assets and of assets held for sale:					
Trade properties and other fixed assets	—	—	11,447	—	—
Non trade properties	—	—	15,404	—	—
Generale Occidentale group companies	3,398	—	—	3,771	—
Working capital increase	—	—	9,104	2,029	—
Total application of funds	3,398	—	35,955	7,300	—
Increase/(decrease) in bank balances	304	—	(5,033)	24,462	—

4. NOTES TO THE FINANCIAL STATEMENTS

(i) Accounting policies

Basis of consolidation

The consolidation comprises Allied and all its subsidiaries. With regard to acquisitions and disposals, the consolidated profit and loss account includes (except as regards the Moores-Wrights group) only that proportion of the results of companies acquired arising since effective date of control or, in the case of companies or interests disposed of, for the period of ownership.

Goodwill

The excess of consideration paid over the values attributed to net tangible assets acquired is written off in the year of acquisition except where goodwill is already included in the accounts of the company acquired as a result of acquisitions made by that company. Where reorganisation of newly acquired businesses is necessary, provisions are set up at acquisition to meet the estimated cost of reorganisation, including trading losses of operations scheduled for closure, after taking into account anticipated taxation relief.

Deferred taxation

Deferred taxation is provided at current rates of tax on timing differences only where it is expected that a taxation liability may arise in the foreseeable future.

Fixed assets

Fixed assets are stated at cost or 1972 valuation. Plant, machinery and equipment which are leased but provide the group with substantially all the benefits and risks of ownership are capitalised at the original cost to the lessor.

Depreciation is provided on a straight line basis and is calculated from the date of original purchase, lease or subsequent valuation. The book amounts of fixed assets are written off over their estimated useful lives. With effect from 2nd April, 1978, provision has been made for depreciation on freehold and long leasehold buildings.

Depreciation is not provided on land, or on freehold and long leasehold buildings held for sale.

The depreciation rates are arrived at using the following estimated useful lives for the main categories of fixed assets:

Freehold buildings — life not exceeding 100 years.

Leasehold buildings — life not exceeding the shorter of residual life of lease or 100 years. The surplus on revaluation of leasehold properties with a rent review clause is written off over the period to the next rent review date.

Fixtures, plant and equipment — lives of between 4 and 15 years.

Profits arising on sale and leaseback of properties developed as supermarkets are included in trading profit, within "Property income and disposals."

Property assets held for sale

Property assets held for sale comprise properties not employed in mainstream activities and which are held for disposal in the future. Where contracts have been signed for the disposal of these assets prior to the latest practicable date before finalising the accounts, the assets have been included in current assets at the lower of net book amounts and net sales proceeds.

Stock valuation

Stocks, which comprise goods for resale, are stated at the lower of cost and net realisable value. For branch stocks, cost is calculated by reference to selling price less appropriate trading margins; for all other stocks, cost is determined on the basis of first in, first out.

Foreign currencies

Net tangible assets and results of overseas companies are expressed in sterling at the rates of exchange ruling at the year end. Exchange differences arising on the translation of foreign currency assets and liabilities are dealt with through reserves.

Pensions

A pension scheme covering the majority of employees of the Allied group is operated by Allied (Holdings). Current contributions to pension funds are charged against profits as payments are due. The assets of the scheme are held completely independantly of Allied's finances and the scheme was fully funded at the most recent actuarial valuation at 1st April, 1980.

Turnover

Turnover represents sales to third parties excluding value added tax.

(ii) Net interest receivable/(payable)

	Periods ended on or about 31st March, 1978	1979	1980	1981	1982
	£000	£000	£000	£000	£000
Interest receivable:					
Third parties	454	213	533	1,070	948
Generale Occidentale group companies	1,552	2,456	3,979	2,640	4,948
	2,016	2,669	4,512	3,710	5,896
Interest payable:					
Bank overdrafts and loans wholly repayable within five years	47	166	328	573	1,075
Other	459	401	877	3,044	3,606
Unfunded pensions (see note (xi))	298	299	257	257	345
	804	866	1,462	3,874	5,026
Net interest receivable/(payable)	1,212	1,803	3,050	(164)	870

(iii) Taxation

The taxation (charge)/credit comprises:

	Periods ended on or about 31st March, 1978	1979	1980	1981	1982
	£000	£000	£000	£000	£000
United Kingdom corporation tax at 52%	(3,171)	1,923	(55)	(42)	—
Relief for overseas taxation	36	—	55	42	—
Overseas taxation	(95)	(73)	(74)	(42)	—
Deferred taxation	209	(1)	(49)	16	—
Group relief (payable)/receivable	(2,217)	—	673	—	—
Prior period adjustments	76	311	(32)	(42)	3
	(5,162)	2,160	518	(68)	3

Taxation on the profits of the periods has been reduced/(increased) by:

	Periods ended on or about 31st March, 1978	1979	1980	1981	1982
	£000	£000	£000	£000	£000
Group relief received from another Generale Occidentale group company for no consideration	—	—	3,447	396	—
Stock appreciation relief	—	—	—	6,534	3,356
Current year movement on deferred taxation not provided	1,165	9,839	5,383	(716)	3,834
Capital losses utilised	—	—	163	32	153
	1,165	9,839	8,993	6,246	7,343

(iv) Deferred taxation

Long term deferred taxation at 3rd April, 1982 calculated at current rates of tax, which is not provided, comprises the following:

	£000
Accelerated tax depreciation	25,947
Capital gains	2,859
Other timing differences (net)	(539)
Losses available for relief (£22.4 million gross)	(11,646)
Advanced corporation tax recoverable	(1,619)
	15,002

On change of ownership of Allied from the Allied (Holdings) tax grouping, tax losses available for relief included above of approximately £3.3 million (£6.3 million gross) will be utilised, and the advance corporation tax recoverable of £1,619,000 will also cease to be available for set off against any future corporation tax liabilities.

(v) Extraordinary items

	Periods ended on or about 31st March, 1978	1979	1980	1981	1982
	£000	£000	£000	£000	£000
Reorganisation profits	300	550	—	—	—
Net profit on disposal of subsidiaries and trade investments	335	—	—	—	—
	635	550	—	—	—
Extraordinary items are stated after taxation relief of	13	—	—	—	—

(vi) Earnings per share

Earnings per share for each period are based upon the profits attributable to the ordinary shareholders, being profits after taxation and minority interest and before extraordinary items, and the weighted average number of ordinary shares in issue during the period. The weighted average number of shares in issue has been adjusted as appropriate so as to include for each period 3,960,272 ordinary shares issued in connection with the acquisition of the Moores-Wrights group.

(vii) Fixed assets

At 3rd April, 1982 fixed assets comprise:

	Cost	1972 valuation	Accumulated depreciation	Net book amount
	£000	£000	£000	£000
Land and buildings:				
Freehold	12,524	3,538	578	15,484
Long leasehold (not less than 50 years unexpired)	19,854	1,319	706	20,467
Short leasehold (less than 50 years unexpired)	29,330	390	3,510	26,210
	61,708	5,247	4,794	62,161
Fixtures, plant and equipment:				
Owned	52,901	—	20,353	32,548
Leased	15,028	—	2,367	12,661
	67,929	—	22,720	45,209
Total	129,637	5,247	27,514	107,370

(viii) Premium on debt

Premium on debt represents the excess of consideration paid over nominal value of long term debt on the acquisition of Argyle Securities. The premium is being amortised over the term of the debt.

(ix) Share capital

The share capital of Allied at 3rd April, 1982 comprises:

	Number	Amount £000
Ordinary shares of 50p each, issued and fully paid	37,835,907	18,918
Authorised share capital	40,000,000	20,000

(x) Loan capital

	Interest rates %	3rd April, 1982 £000
Allied:		
Unsecured loan stocks		
1982/87	6	3,148
1992/2007	6¾	2,172
Bank loan (unsecured) 1982/87	variable	10,000
Lease loan capital	variable	8,296
		23,613
Subsidiaries:		
Secured loan stocks		
1984/89	8¼	484
1986/91	7¾	2,801
1992/97	9¼	3,823
1992/97	10½	178
1993/98	12	8,183
Bank loan (unsecured) 1985/86	variable	500
		39,582
Less: Amount repayable within one year or on demand		4,525
		35,057

Loan capital by year of repayment:

	3rd April, 1982 Bank	Other
	£000	£000
From one to two years	1,800	2,022
From two to five years	5,900	3,255
Over five years	1,000	21,080
	8,700	26,357
		35,057

(xi) Provision for unfunded pensions

A provision for unfunded pensions is maintained to meet Allied's commitment to certain employees in respect of service prior to their participation in Allied's pension arrangements. Allied credits interest annually to this provision in accordance with an actuarial recommendation (see note (ii) above).

(xii) Working capital

Working capital movements within the consolidated statements of source and application of funds are as follows:

	Periods ended on or about 31st March, 1978	1979	1980	1981	1982
	£000	£000	£000	£000	£000
Stocks	7,190	(11,537)	(7,905)	(12,828)	(1,888)
Debtors	(2,836)	1,601	(4,325)	1,589	658
Creditors	4,003	12,846	21,052	9,713	8,904
Property assets held for sale	(224)	318	(1,318)	668	(2,702)
Currency translation differences	(51)	(23)	(199)	(2)	—
(Increase)/decrease in working capital	8,082	3,135	7,305	(907)	4,972

(xiii) Current cost accounts

As Allied is a wholly owned subsidiary of another U.K. company, no current cost information under Statement of Standard Accounting Practice Number 16 has been prepared for the Allied group.

(xiv) Principal subsidiary companies and changes in group structure

Subsidiary companies whose assets and results are considered to be material to the Allied group are set out below. All are wholly owned, with the exception of Deltadean Limited which is 51 per cent. held, and all are incorporated in England, with the exception of Argyle Securities Limited which is incorporated in Scotland.

Company	Business	Date of incorporation	Issued share capital £
Argyle Securities Limited	Holding company	15th May, 1958	5,717,338
Allied Suppliers (Properties) Limited	Property holding	7th March, 1938	4,700,002
Allied Suppliers (Overseas) Limited	Food retailing	3rd October, 1924	15,000
Federated Properties Limited	Property holding	19th July, 1939	300,000
Edwin Gowers & Son Limited	Food retailing	13th December, 1955	393,650
Moores Stores Limited	Food retailing	24th May, 1935	5,899,532
Alliance Property Holdings Limited	Holding company	2nd June, 1967	2,726,406
Alliance Property Company Limited	Property investment	4th March, 1933	6,037,875
Deltadean Limited	Food retailing	19th October, 1979	10,000

The Allied group made the following significant acquisitions and disposals during the five accounting periods ended 3rd April, 1982:—

(a) With effect from the 2nd April, 1977 Allied sold its food manufacturing subsidiary TW Beach Limited to Cavenham Limited (since renamed Allied (Holdings)) for £2.6 million.

(b) On 12th June, 1979 Allied acquired the Alliance group, a property investment group with quoted loan stocks, from Cavenham Limited for £12.36 million, the consideration being satisfied by the issue of 4,650,000 ordinary shares of Allied.

(c) In January, 1980 Allied acquired the Caters supermarkets division of Debenhams Limited for a cash consideration of £9.5 million.

(d) On 1st December, 1980, Allied acquired the Moores-Wrights group, a supermarket group, from Allied (Holdings) for £13.65 million, the consideration being satisfied by the issue of 3,960,272 ordinary shares of Allied of which 216,803 shares were not issued until September, 1981.

(e) On 1st December, 1980, Allied acquired the Argyle Securities group from Argyle Securities (Holdings) Limited, which is wholly owned by Allied (Holdings), for £23.22 million, the consideration being satisfied by the issue of 6,739,118 ordinary shares of Allied. When acquired, Argyle Securities owned liquid assets and had quoted loan stocks. Upon acquisition by Allied, Argyle Securities acquired the principal retail property subsidiary of Allied. Dividends of £1,441,000 in the 52 weeks ended 28th March, 1981, receivable by Argyle Securities from that subsidiary, have not been included in the profits before taxation shown for Argyle Securities in the table of consolidated profit and loss accounts.

Yours faithfully,
PRICE WATERHOUSE
Chartered Accountants.

APPENDIX III

PRO FORMA FINANCIAL INFORMATION ON THE NEW ARGYLL GROUP

1. INTRODUCTION

The pro forma net assets and profit of the combined new Argyll group are set out in paragraphs 3 and 5 below respectively. In view of the relative contributions by Argyll and Allied to net assets and profit of the combined group in the context of the Offer for Sale of shares in the enlarged undertaking, the pro forma information set out in this Appendix combines the amounts included in the existing accounts of each company. For the purposes of illustration, the tables in paragraphs 3 and 5 indicate the effects on net assets, profit and earnings per share of striking prices for the 95 million new ordinary shares of Argyll at both the minimum of 85p and the maximum of 100p per share.

"Year to end March, 1982" refers respectively to the fifty two week period ended 27th March, 1982 for the former Argyll group and the fifty three week period ended 3rd April, 1982 for the Allied group.

2. CONSIDERATION

The consideration payable to Allied (Holdings) will amount to £101.2 million. In addition, interest will be payable on this consideration at a rate of approximately 14 per cent. per annum in respect of the period 16th April, 1982 to the date of settlement. On the basis of the expected settlement date of 16th June, 1982, this interest will amount to approximately £2.5 million. This figure, together with the profits arising after the respective balance sheet dates, has been ignored in the statement of pro forma net assets set out in paragraph 3 below.

Prior to the exchange of contracts for the purchase of Allied by Argyll, Allied distributed to Allied (Holdings) a dividend of £27.0 million which was applied in part repayment of net amounts due from Generale Occidentale group companies.

The 95 million new ordinary shares are being allotted to Allied (Holdings), which is renouncing them to Samuel Montagu. Samuel Montagu is offering these shares for sale by tender to the public at a price of between a minimum of 85p per share and a maximum of 100p per share. The gross cash proceeds of the Offer for Sale, which will therefore vary between £81 million and £95 million, will represent part satisfaction of the consideration payable to Allied (Holdings). The balance of the consideration of £101.2 million together with estimated expenses of £3.7 million will be financed by term loans, which will accordingly vary between £24 million and £10 million.

The table in paragraph 6 below summarises the effects of a range of striking prices of the new ordinary shares on the amount of the term loans, the interest thereon and the profit of the combined new Argyll group.

3. PRO FORMA NET ASSETS

The audited balance sheet of the former Argyll group (see paragraph 2 of Appendix I) and the audited balance sheet of the Allied group (see paragraph 2 of Appendix II), together with pro forma balance sheets of the combined new Argyll group, are shown below:

	Notes	Former Argyll group 27th March, 1982	Allied group 3rd April, 1982	Combined new Argyll group (pro forma) Striking price 85p	100p
		£m	£m	£m	£m
Assets employed:					
Fixed assets	(i)	25.7	107.4	133.1	133.1
Goodwill		8.1	0.2	8.3	8.3
Premium on debt		—	1.4	1.4	1.4
Property assets held for sale	(iii)	—	2.6	2.6	2.6
Current assets:					
Stocks		27.7	80.1	107.8	107.8
Debtors		8.2	8.9	17.1	17.1
Net amount due from Generale Occidentale group	(ii)	—	27.2	—	—
Property assets held for sale	(iii)	—	3.7	3.7	3.7
Bank balances and cash	(iv)	1.0	14.3	15.5	15.5
		36.9	134.2	144.1	144.1
Less: Current liabilities:					
Corporation tax		1.3	1.0	2.3	2.3
Creditors		39.7	108.3	148.0	148.0
Loan capital repayable within one year		—	4.5	4.5	4.5
Dividends	(iv)	0.9	37.0	0.9	0.9
Bank overdrafts (secured)		0.1	—	0.1	0.1
		42.0	140.8	155.8	155.8
Net current liabilities		(5.1)	(6.6)	(11.7)	(11.7)
		28.7	105.0	133.7	133.7
Financed by:					
Shareholders' funds:					
Share capital	(v)	5.2	18.9	14.7	14.7
Share premium		12.2	41.6	12.2	12.2
Capital reserve (non-distributable)	(vi)	—	—	26.9	41.1
Capital redemption reserve		0.1	—	0.1	0.1
Revenue reserves		4.4	6.2	10.6	10.6
		21.9	66.7	64.5	78.7
Minority interest		—	0.1	0.1	0.1
Deferred taxation		0.5	—	0.5	0.5
Loan capital	(vii)	6.0	35.0	65.1	50.9
Deferred purchase consideration		0.3	—	0.3	0.3
Provision for unfunded pensions		—	3.2	3.2	3.2
		28.7	105.0	133.7	133.7

Notes:

The pro forma balance sheet of the new Argyll group has been based on a combination of the first two columns above but adjusted as indicated in certain of the notes below:

(i) Fixed assets

The fixed assets of the Allied group include property of approximately £62 million, stated at cost or 1972 valuation, less depreciation. Details of the valuation of certain freehold and long leasehold properties, which indicates a surplus of £15.9 million over book values, are set out in Appendix IV.

(ii) Net amount due from Generale Occidentale group

The net amount due from Generale Occidentale group has been eliminated to reflect its repayment in cash prior to the exchange of contracts for the acquisition of Allied (see note (iv) below).

(iii) Property assets held for sale

Property assets held for sale comprise mainly properties which are not employed in the new Argyll group's retail trade. Property assets held for sale shown in current assets include properties with a book value of £3.2 million which, subject to certain conditions, will be sold to Allied (Holdings) for a sum of £3.6 million on completion of the acquisition of Allied.

(iv) Bank balances and cash

	£m
Former Argyll group	1.0
Allied group	14.3
Received from Generale Occidentale group in repayment of sums owing prior to contract (see note (ii) above) being £27.2 million, less dividends paid of £27.0 million	0.2
	15.5

(v) Share capital

The share capital of Argyll has been adjusted to reflect the issue of the new ordinary shares, as set out in paragraph 1 of Appendix V.

(vi) Capital reserve (non distributable)

	Striking price 85p	100p
	£m	£m
Represented by:		
Share capital of Allied	18.9	18.9
Share premium of Allied	41.6	41.6
	60.5	60.5
Less:		
Nominal amount of shares issued by Argyll	(9.5)	(9.5)
Cash element of the consideration, at striking prices of 85p and 100p, together with estimated expenses of the acquisition and Offer for Sale	(24.1)	(9.9)
	(33.6)	(19.4)
	26.9	41.1

New ordinary shares in Argyll issued as part of the consideration are stated at their nominal value in determining the non distributable capital reserve of the combined new Argyll group. The distributable revenue reserves of the combined new Argyll group represent the aggregate of the distributable revenue reserves of the former Argyll group and of the Allied group.

(vii) Loan capital

	Striking price 85p	100p
	£m	£m
Former Argyll group	6.0	6.0
Allied group	35.0	35.0
New term loans required to finance the cash element of the purchase consideration and the estimated expenses (see paragraph 6 below)	24.1	9.9
	65.1	50.9

4. COMBINED STATEMENTS OF TURNOVER AND TRADING PROFITS

During the five accounting periods ended on or about 31st March, 1982 there have been significant changes in the financial structure and constituent parts of both the former Argyll group and the Allied group, and there have also been very substantial levels of dividends distributed by Allied with consequential material effects on interest received and paid. Accordingly it has not been considered informative to present a five year summary of the pro forma profits before and after taxation, and earnings per share, of the combined new Argyll group.

The table below therefore analyses turnover and trading profits of the former Argyll group and the Allied group, and excludes interest. It also excludes those property profits which have either been disclosed as exceptional in the accounts of the two groups, or which relate to the sale of non-trading properties or which are otherwise of a non-recurring nature.

The results of the former Argyll group, as analysed in paragraph 1 of Appendix I, have been adjusted to years ended on or about 31st March. Results of subsidiaries of the former Argyll group and of the Allied group (other than the Moores-Wrights group) are accounted for as from their effective date of acquisition.

	Years ended on or about 31st March, 1978	1979	1980	1981	1982
	£m	£m	£m	£m	£m
Turnover					
Former Argyll group					
Food manufacturing	—	—	2.2	4.5	15.3
Edible oil refining	—	—	—	3.5	23.3
Food distribution					
— grocery retail and wholesale	10.5	10.2	8.6	46.3	142.9
— freezer centres	—	—	12.8	36.3	48.4
Discontinued activities	9.5	9.3	6.4	—	—
	20.0	19.5	30.0	90.6	229.9
Allied group					
Presto division	163.7	202.5	267.6	376.1	435.0
Liptons division	362.7	366.3	379.5	404.5	411.5
	526.4	568.8	647.1	780.6	846.5
New Argyll group	546.4	588.3	677.1	871.2	1,076.4
Trading profits					
Former Argyll group					
Food manufacturing	—	—	0.4	0.6	1.5
Edible oil refining	—	—	—	0.1	0.6
Food distribution					
— grocery retail and wholesale	0.1	0.1	0.2	0.5	3.5
— freezer centres	—	—	0.4	0.9	1.8
Discontinued activities	0.2	(0.1)	(0.1)	—	—
	0.3	—	0.9	2.1	7.4
Group expenses	(0.1)	(0.2)	(0.2)	(0.3)	(0.4)
	0.2	(0.2)	0.7	1.8	7.0
Allied group					
Retailing	9.4	7.2	9.7	10.2	11.5
Property income and disposals:					
Profit on sale of surplus trade properties and on supermarket developments	0.9	4.4	3.9	4.0	2.5
Rental income less expenses	(0.1)	(0.4)	0.4	0.5	(0.1)
	10.2	11.2	14.0	14.7	13.9
Combined trading profits before interest and before certain property profits, amounting in 1982 to £1.4 million, which are either disclosed as exceptional, or relate to the sale of non-trading properties or are otherwise of a non-recurring nature	10.4	11.0	14.7	16.5	20.9

5. PRO FORMA PROFIT

The pro forma statement of annual profit of the combined new Argyll group set out below is based on a combination of the trading profit of the former Argyll group and of the Allied group for the year to end March, 1982 *(as set out in paragraph 4 above). In order to calculate the pro forma profit of the combined new Argyll group that* would have applied had Allied been part of the Argyll group during the period, adjustments have been made, in addition to the exclusion of certain property profits, to reflect the change of ownership and to deduct notional interest payable on the new term loans required to finance part of the consideration.

For illustration purposes, the effects of striking prices of 85p and 100p are shown. The effect on earnings per share of the different levels of borrowings required to make up the balance of the purchase consideration for the Allied group, following other possible proceeds from the Offer for Sale, is shown in paragraph 6.

	Profit before taxation of combined new Argyll group (pro forma) Striking price 85p	100p
	£m	£m
Combined trading profit of the new Argyll group (see paragraph 4 above)	20.9	20.9
Net interest income/(expense):		
Argyll (see paragraph 1 of Appendix I)	(0.5)	(0.5)
Allied (see paragraph 1 of Appendix II)	0.9	0.9
Pro forma adjustments:		
Add: Generale Occidentale group management charge deducted from Allied's profit in respect of expenses which it is estimated will not continue following the acquisition by Argyll (total charge of £1.6 million, less £0.3 million of continuing expenses) (see paragraph 1 of Appendix II)	1.3	1.3
Less: Notional interest on that element of Allied's 1981/82 dividend of £27.0 million relating to prior years' profits, amounting to £11.4 million, at an assumed interest rate of 15 per cent. (see paragraph 1 of Appendix II)	(1.7)	(1.7)
	(0.4)	(0.4)
Pro forma profit before interest on new term loans	20.9	20.9
Less: Interest on new term loans to finance part of consideration (see note (ii) below)	(3.6)	(1.5)
Pro forma profit before taxation	17.3	19.4
Less: Actual tax charge (see note (iii) below)	(2.0)	(2.0)
Pro forma profit after taxation of the new Argyll group	15.3	17.4
Pro forma earnings per share:		
After actual tax charge (see note (iii) below)	11.0p	12.5p
After notional full tax charge of 52%	6.0p	6.7p

Notes:

(i) The profit and earnings indicated above include a profit of £2.5 million arising from the sale of Allied's trade properties and from supermarket developments, but exclude an exceptional profit of £0.5 million arising from the sale by Argyll of a trading property for development purposes, and exclude profits of £0.9 million arising from the sale of properties not employed in the trade of Allied and non-recurring property profits.

(ii) Pro forma annual interest on the new term loans to finance part of the cost of the acquisition of Allied *has been calculated at an annual rate of 15 per cent.* No adjustment has been made in respect of the interest saved as a result of the recent sales of certain of Allied's properties which were not employed in its retail trade and from the proposed sale of further properties to Allied (Holdings) for £3.6 million. These savings will be partially offset by rental income forfeited.

(iii) The actual tax charge has been estimated on the basis that the mainstream corporation tax charge on profit for the combined new Argyll group will be insignificant. Owing to excess tax allowances and losses brought forward, the directors of Argyll consider it unlikely that the new Argyll group will have any significant mainstream corporation tax liability for a number of years. The actual tax charge therefore comprises advance corporation tax on dividends paid on the ordinary share capital and on the existing convertible preference share capital, assuming, for illustrative purposes, that ordinary dividends at the rate of 3.25p per share, being the rate paid on the former share capital in respect of the accounts for the 52 week period ended 27th March, 1982, had also been paid on the *95 million new ordinary shares being issued in connection with the acquisition of Allied. This advance corporation* tax will be available to be offset against future mainstream corporation tax.

(iv) The earnings per share shown above allow for the conversion of the convertible preference shares, but not for the exercise of the warrants. Assuming that the warrants are exercised in full, the earnings per share on the basis of an estimated actual tax charge would increase slightly, assuming an interest saving at 15 per cent. per annum on the subscription monies received.

6. EFFECTS OF DIFFERING STRIKING PRICES

The table below sets out the effect of a range of striking prices for the new ordinary shares on the amount of new term loans and on the earnings per share, after both an actual tax charge and a notional full tax charge. Earnings per share have been determined after allowing for the conversion of the convertible preference shares, but not for *the warrants to subscribe for ordinary shares (see note (iv) of paragraph 5 above).*

Striking price of new ordinary shares (in multiples of 5p for illustration only)	*85p (minimum striking price)*	*90p*	*95p*	*100p (maximum striking price)*
	£m	£m	£m	£m
Proceeds from sale of 95 million new ordinary shares	80.8	85.5	90.2	95.0
New term loans required to finance balance of £101.2 million consideration and £3.7 million estimated expenses of the acquisition and Offer for Sale (see paragraph 4 of Appendix V)	24.1	19.4	14.7	9.9
	104.9	104.9	104.9	104.9
Pro forma profit before taxation and interest on new term loans (as referred to in paragraph 5 above)	20.9	20.9	20.9	20.9
Less: Interest on new term loans (see note (ii) of paragraph 5 above)	(3.6)	(2.9)	(2.2)	(1.5)
Pro forma profit before taxation	17.3	18.0	18.7	19.4
Less: Actual tax charge	(2.0)	(2.0)	(2.0)	(2.0)
Pro forma profit after taxation of the new Argyll group	15.3	16.0	16.7	17.4
Pro forma earnings per share:				
After actual tax charge	11.0p	11.5p	12.0p	12.5p
After notional full tax charge of 52%	6.0p	6.2p	6.5p	6.7p

7. LETTER RELATING TO THE PRO FORMA FINANCIAL INFORMATION

The directors of Argyll have received the following letter from Arthur Andersen & Co. relating to the pro forma financial information on the new Argyll group:

The Directors,
Argyll Foods PLC,

Bank House,
9 Charlotte Street,
Manchester M1 4EU.

The Directors,
Samuel Montagu & Co. Limited.

4th June, 1982

Gentlemen,

The pro forma financial information on the combined new Argyll group set out in paragraphs 3 to 6 of Appendix III of the Offer for Sale by tender by Samuel Montagu & Co. Limited of 95,000,000 ordinary shares of 10p each of Argyll Foods PLC, dated 4th June, 1982, ("the Prospectus") has been derived from the relevant financial information on the former Argyll group, which has been reported on by ourselves, and on the Allied group, which has been reported on by Price Waterhouse, as contained in Appendices I and II respectively of the Prospectus, after making the adjustments described in paragraphs 3 to 6 of Appendix III.

We have reviewed the adjustments made in preparing the combined financial information set out in these paragraphs and, in our opinion, such adjustments have been properly applied so as to reflect the effect of combining the two entities.

Yours faithfully,
ARTHUR ANDERSEN & CO.,
Chartered Accountants.

APPENDIX IV

ALLIED GROUP PROPERTY INFORMATION AND VALUATION

(a) Summary

The net book value of the Allied group's properties, stated at cost or 1972 valuation, less depreciation, at 3rd April, 1982 is summarised as follows:

	Notes	£000
Freehold and long leasehold properties, subject to valuation at 3rd April, 1982	(i)	16,925
Relevant improvements	(ii)	7,518
Freehold and long leasehold development properties	(iii)	12,990
Short leasehold properties (including relevant improvements)	(iv)	26,814
Properties warranted by or being purchased by Allied (Holdings)	(v)	3,925
Other properties		326
		68,498

The net book value of the Allied group's properties at 3rd April, 1982 is included in the consolidated balance sheet of the Allied group in paragraph 2 of Appendix II under the following headings:

	£000
Fixed assets (see note (vii) of paragraph 4 of Appendix II)	62,161
Property assets held for sale	2,601
Current assets—property assets held for sale	3,736
	68,498

ARGYLL FOODS PLC

Continued

Notes:

(i) The freehold and long leasehold properties subject to valuation at 3rd April, 1982 have been valued for the most part by Clive Lewis & Partners, Surveyors & Valuers, and the remainder have been valued by Mr. N. J. M. Spurrier, Allied's property director. Such properties, details of the valuation of which are set out in the letter below, comprise some 566 individual properties used in the main for shopping purposes, located throughout the United Kingdom and ranging in size from small single shop units to large modern purpose built stores with, in addition, a number of warehouse and residential properties. Most of the properties are occupied by the Allied group for trading purposes, but some which have ceased to be so occupied are held for sale.

(ii) Relevant improvements represent the net book value of those improvements to premises which were valued to a shell building, as referred to in the letter below.

(iii) Freehold and long leasehold properties with a book cost of £12,990,000 are being developed.

(iv) Leasehold properties with an unexpired term of less than fifty years which at 3rd April, 1982 had a net book value of £26,614,000 were, in accordance with the practice of the retail trade, not subject to valuation.

	Number	Properties wholly or partly occupied by the Allied group £'000	Properties not occupied by the Allied group £'000	Total £'000	Book value £'000
Freehold—Sales area:					
Under 3,999 sq. ft.	199	8,003	—	8,003	3,325
4,000-7,999 sq. ft.	13	2,148	—	2,148	1,318
8,000-17,999 sq. ft.	10	4,814	—	4,814	2,996
18,000 sq. ft. and over	2	2,275	—	2,275	1,614
Offices and warehouses	8	867	—	867	668
Properties not occupied by the Allied group	74	—	1,805	1,805	1,050
Leasehold with more than 50 years unexpired—Sales area:					
Under 3,999 sq. ft.	138	3,238	—	3,238	1,614
4,000-7,999 sq. ft.	43	2,789	—	2,789	1,158
8,000-17,999 sq. ft.	32	4,049	—	4,049	1,357
18,000 sq. ft. and over	10	1,582	—	1,582	942
Offices and warehouses	2	622	—	622	568
Properties not occupied by the Allied group	35	—	633	633	416
	566	30,386	2,438	32,824	16,925
Valuation surplus					15,899

Yours faithfully,
CLIVE LEWIS & PARTNERS

APPENDIX V

STATUTORY AND GENERAL INFORMATION

1. SHARE CAPITAL

(a) Summary

	Number of ordinary shares of 25p each	Number of convertible preference shares of £1 each
In issue on 1st March, 1980	19,800,000	—
Issued for the acquisition of Morgan Edwards Limited	5,848,577	1,069,715
Issued for cash by way of rights on 10th October, 1980 at 54p per share	4,449,943	
Issued by way of capitalisation of reserves	29,998,520 (29,998,520)	
Issued for cash by way of rights on 6th February, 1981 at 65p per share	12,459,842	
Effect of exercise of conversion rights	46,330	(31,952)
In issue on 27th March, 1982	42,104,692	1,037,763
To be issued for the acquisition of Allied credited as fully paid	95,000,000	
In issue subsequent to the acquisition of Allied	137,104,692	
Reserved for exercise of warrants	10,902,362	
Reserved for conversion of convertible preference shares	1,504,756	
Reserved for exercise of options in issue under the Executive Share Option Scheme	1,140,000	
Fully diluted ordinary share capital	150,651,810	
Authorised share capital, following the acquisition of Allied	170,000,000	4,468,048

[illegible]

dividend on the convertible preference shares down to such date of liquidation whether or not such dividend has been declared or earned. Save as aforesaid, on a winding-up or other repayment of capital, the assets available for distribution will be applied in repaying to the holders of the convertible preference shares the amounts paid up on such shares together with a sum equal to any arrears and accruals of the fixed dividend calculated down to the date of the return of capital and payable whether or not such dividend has been declared or earned. The convertible preference shares shall rank for dividends and, on a return of capital on liquidation or otherwise, in priority to any other shares for the time being in issue.

(v) The holders of convertible preference shares are entitled to receive notice of and to attend at any general meeting of Argyll. However, the holders of convertible preference shares are not entitled to vote at any such general meeting unless either (a) at the date of the notice convening the meeting the dividend on the convertible preference shares is six months in arrears and for this purpose such dividend shall be deemed to be payable on 30th June and 31st December in each year; or (b) the business of the meeting includes the consideration of a resolution for winding up Argyll or for a reduction in the capital of Argyll or any resolution directly and adversely modifying or abrogating any of the special rights or privileges attached to the convertible preference shares in which case they will only be entitled to vote at the meeting on any such resolutions. When entitled to vote as aforesaid, every holder of convertible preference shares shall upon a show of hands have one vote and upon a poll have such number of votes equivalent to the par value of each convertible preference share divided by the par value of each ordinary share in issue at the time in respect of each convertible preference share held by him.

(vi) No further shares ranking in priority to the convertible preference shares may be created or issued, but Argyll is entitled to issue further preference shares, whether convertible or otherwise, ranking as regards participation in profits or assets pari passu with the convertible preference shares, so long as the total nominal value of such preference capital immediately following the issue shall not exceed the nominal value of Argyll's issued ordinary share capital at that time.

(vii) Unless previously converted or redeemed, the convertible preference shares will be redeemed at par on 31st December, 1995.

(d) Executive share option scheme

On 27th October, 1980, following the approval of Argyll shareholders in general meeting, Argyll introduced a share option scheme for senior management. The rules of the scheme, which is known as "The Argyll Executive Share Option Scheme" ("the Scheme"), are set out in the circular to shareholders dated 10th October, 1980 (which is available for inspection) and are summarised as follows:

(i) Offers of participation may be made to such senior executives including executive directors as the board shall select.

(ii) The maximum number of ordinary shares in respect of which options may be granted under the Scheme is 2,058,000 being approximately 5 per cent. of the issued ordinary share capital (before allowing for the issue of shares in connection with the acquisition of Allied in June, 1982). This figure (but not the percentage) is subject to adjustment in the case of capitalisation or rights issues in such manner as the auditors shall certify to be in their opinion fair and reasonable. It is the intention of the directors of Argyll to seek the sanction of shareholders to increase this maximum figure in due course, such that the percentage will not exceed 5 per cent. of the enlarged issued ordinary share capital, following the acquisition of Allied.

(iii) The price ("subscription price") at which option holders may acquire shares on the exercise of options will be the greater of (a) the middle market quotation of Argyll's ordinary shares as indicated by the Daily Official List of The Stock Exchange for the last dealing day preceding the date of grant and (b) the nominal value. On the grant of an option, option holders will pay £1 and they will make their own arrangements to finance the subscription on the exercise of their options.

(iv) The value of shares (calculated by reference to the subscription price) in respect of which options may be granted to any one participant must not exceed a maximum of four times his annual emoluments at the date of grant of such option.

(v) Options will normally be granted within two months after announcement of the audited consolidated results of Argyll. No option may be granted after 26th October, 1990.

(vi) Options, which may not be transferred or assigned, will not normally be exercisable before the expiry of three years from the date of grant. Options will lapse at the expiry of seven years from the date of grant.

(vii) The shares allotted on exercise of an option will rank pari passu in all respects with the ordinary shares then in issue except that they will not rank for any dividend or distribution of Argyll announced prior to the date of exercise.

(viii) The basic structure of the Scheme cannot be altered to the advantage of participants without shareholders' prior approval.

Under current legislation, gains made by option holders on the exercise of options will be liable to an assessment to tax as earned income under Schedule E.

Options in respect of a total of 395,000 ordinary shares were granted at a price of 79p per share on 15th December, 1980 to two directors, Mr. D. F. Burditt and Mr. R. E. Semark, and five senior executives. Further options in respect of a total of 305,000 ordinary shares were granted at a price of 97p per share on 16th November, 1981 to one director, Mr. C. S. Lawrie, and 34 senior executives.

Options in respect of 60,000 ordinary shares have since lapsed owing to the departure from employment with Argyll of two senior executives.

A certificate of exemption under Section 39 of the Companies Act, 1948 has been given by the Council of The Stock Exchange in relation to the disclosure of the names and addresses of the holders of the options other than those named above.

2. BORROWINGS

As at the close of business on 22nd May, 1982, the former Argyll group and the Allied group had outstanding borrowings and cash balances as set out below. The table also includes the term loans to be drawn subsequent to that date to finance the acquisition of Allied and takes account of the dividend of £27.0 million paid by Allied to Allied (Holdings) on 10th May, 1982. The table ignores the cash receivable, estimated at £3.6 million, from the proposed sale of certain properties of Allied, as referred to in Appendix IV.

	£m	
Borrowings:		
Former Argyll group:		
Bank overdrafts (secured)	0.1	
Term loans (secured)	6.0	
Deferred purchase consideration	0.4	
		6.5
Allied group:		
Term loans	9.6	
Loan stocks (of which £15.5 million is secured)	20.8	
Lease loan capital	8.3	
		38.7
Combined new Argyll group:		
Borrowings at 22nd May, 1982, as above		45.2
Maximum new term loans to be drawn to finance the cash element of the consideration for the acquisition of Allied and expenses		24.1
Estimated interest payable on consideration for Allied		2.5
Maximum combined borrowings of the new Argyll group		71.8
Bank balances and cash:		
Former Argyll group		0.9
Allied group (£5.6 million subject to loan stock restrictions of which £4.5 million is pending substitution of acceptable security by the new Argyll group)		24.7
Combined bank balances and cash of the new Argyll group		25.6

Save as disclosed above, and apart from intra-group indebtedness and guarantees, no company in the former Argyll group or in the Allied group had outstanding as at 22nd May, 1982, any mortgages, charges, debentures, term loans, loan capital or any loan capital created but unissued, or other borrowings or indebtedness in the nature of borrowings, including bank overdrafts, liabilities under acceptances or acceptance credits, hire purchase commitments or any guarantees or other material contingent liabilities.

3. WRITTEN CONSENTS

Arthur Andersen & Co., Price Waterhouse, Mr. N. J. M. Spurrier and Clive Lewis & Partners have given and have not withdrawn their written consents to the issue of this document with references to their names and to the inclusion of their relevant reports and letters in the form and context in which they respectively appear.

4. EXPENSES

The expenses payable by Argyll relating to the acquisition of Allied and to the Offer for Sale, including capital duty (at the minimum striking price) and underwriting commission, are estimated to amount to approximately £3.7 million (exclusive of value added tax), of which approximately £3.2 million is considered as relating to the Offer for Sale.

5. DISCLOSURE OF INTERESTS

(a) The interests of the directors, including family interests, (all beneficial unless otherwise stated) in the shares of Argyll, as they appear in the register maintained under Section 29 of the Companies Act 1967, as amended, are set out below:

	Ordinary shares	Convertible preference shares	Options to acquire ordinary shares
*J. G. Gulliver	—	—	—
†D. F. Burditt	—	—	100,000
C. M. Edwards	400,000	—	—
E. K. Edwards:			
beneficial	578,835	89,556	—
non-beneficial	14,669	11,341	—
*M. A. Grant	—	—	—
C. S. Lawrie	—	—	100,000
H. M. Plowden Roberts	—	—	—
*R. E. Semark	—	—	100,000
*D. G. C. Webster	—	—	—

*Mr. J. G. Gulliver, Mr. M. A. Grant, Mr. D. G. C. Webster and Mr. R. E. Semark are directors and shareholders of JGA, whose wholly owned subsidiary James Gulliver Associates Investments Limited ("JGAI") holds a 51.9 per cent. interest in Gulliver Foods.

†Mr. D. F. Burditt is a director of Gulliver Foods.

The interests of those directors of Argyll, who are also directors of JGA, and their families in JGA are as follows:

	Per cent. of issued ordinary capital
J. G. Gulliver	66.3
M. A. Grant	13.5
D. G. C. Webster	10.6
R. E. Semark	3.8

The table below sets out the aggregate shareholdings of Gulliver Foods and its associates, JGAI and Avonmiles Limited ("Avonmiles"), a wholly owned subsidiary of Gulliver Foods, in the present share capital of Argyll:

Ordinary shares	Convertible preference shares
8,859,615 (21.0%)*	353,850 (34.1%)

*Reducing to 6.5%, following the issue of shares in connection with the acquisition of Allied, before allowing for any new ordinary shares that may be acquired by Gulliver Foods under the Offer for Sale.

The above excludes details of interests in warrants which will be issued to the Argyll shareholders, following completion of the acquisition of Allied.

Gulliver Foods participated in the sub-underwriting of the new ordinary shares to the extent of 1,100,000 ordinary shares, as referred to in paragraph 6(xv) below.

(b) Gulliver Foods has been appointed consultant to Argyll under an agreement expiring on 4th February, 1984. In the fifty two week period ended 27th March, 1982, Gulliver Foods received fees under this agreement amounting to £200,000. These fees are subject to annual review.

(c) An office in London was acquired by Gulliver Foods and is occupied by Argyll. It is proposed that it should be acquired by Argyll for a consideration, to be determined by an independent valuation, which will not exceed £50,000 or, in any event, its original total cost to Gulliver Foods.

Gulliver Foods agreed to acquire 8,832,499 ordinary shares of 25p each in Linfood Holdings Limited on 9th September, 1981. These shares were acquired by Argyll on 22nd September, 1981, being the settlement date for the purchase, subject to the approval of Argyll shareholders in general meeting. Gulliver Foods agreed to acquire the shares in the event that the shareholders did not approve the purchase.

Save as disclosed in this paragraph (c), no director of Argyll has any interest, direct or indirect, in any asset which, since 28th March, 1981, being the date of the last published accounts to be laid before shareholders in general meeting, has been or is proposed to be acquired, disposed of by or leased to Argyll or any of its subsidiaries.

(d) Save as disclosed in paragraph (b) above, no director has a material interest in any contract or arrangements with Argyll or any of its subsidiaries subsisting at the date hereof, which is significant in relation to the new Argyll group's business.

(e) Argyll has received notification that Mr. W. N. Cassel, a former director of Argyll, holds 2,167,538 ordinary shares, representing 5.1 per cent. of the issued ordinary share capital, before allowing for issue of the new ordinary shares.

Save for this interest, and the interests of Gulliver Foods and its associates referred to above, Argyll has not been notified of any other person holding a substantial part (that is, 5 per cent. or more) of the ordinary share capital of Argyll.

(f) The emoluments of the directors of Argyll in respect of the fifty two week period ended 27th March, 1982 amounted to £140,000, excluding the fees paid to Gulliver Foods, as described in paragraph (b) above. The emoluments of the directors of Argyll will not be affected by the acquisition of Allied.

(g) Mr. C. M. Edwards has a consultancy agreement with Argyll for a five year period expiring in April, 1985. Mr. C. S. Lawrie has a service agreement expiring on 31st March, 1983 with a subsidiary of Argyll. Mr. H. M. Plowden Roberts is a director of Allied (Holdings) and has a service agreement with Allied (Holdings). This agreement is terminable at 12 months' notice. It is the intention that Mr. H. M. Plowden Roberts will become a full time executive of the new Argyll group. Save as disclosed herein, no director of Argyll has a service agreement with Argyll or any of its subsidiaries which cannot be terminated without payment of compensation within a period of twelve months.

6. MATERIAL CONTRACTS

The following contracts (not being in the ordinary course of business) have been entered into within the last two years by the members of the new Argyll group and are or may be material:

(i) The agreements dated 6th October, 1980 between Argyll, Gulliver Foods, Avonmiles and JGAI whereby Gulliver Foods, Avonmiles and JGAI undertook to take up in full their entitlement to 836,627 ordinary shares in respect of the October, 1980 rights issue of 4,449,943 ordinary shares at a price of 54p per share.

(ii) The agreement dated 7th October, 1980 between Argyll and Samuel Montagu whereby Samuel Montagu agreed to underwrite the balance of the October, 1980 rights issue not agreed to be taken up by Gulliver Foods, Avonmiles and JGAI, for an underwriting fee amounting to 2 per cent. of the amount underwritten, out of which a fee was paid to Panmure Gordon & Co. and a fee of 1¼ per cent. to sub-underwriters.

(iii) The agreement dated 1st December, 1980 between Allied and Allied (Holdings) whereby Allied purchased all the issued share capital of Moores-Wrights, a holding company, from Allied (Holdings). The consideration of £13,647,100 was satisfied by the issue of 3,960,272 ordinary shares of Allied.

(iv) The agreement dated 1st December, 1980 between Allied and Argyle Securities (Holdings) Limited whereby Allied purchased all the issued share capital of Argyle Securities, an investment company, from Argyle Securities (Holdings) Limited, a fellow wholly owned subsidiary of Allied (Holdings). The consideration of £23.22 million was satisfied by the issue of 6,739,118 ordinary shares of Allied.

(v) The agreement dated 21st December, 1980 between Oriel and RCA International Finance Limited ("RCAIF") whereby Oriel acquired Argyll Foods (Properties) Limited, formerly Morris & David Jones Limited, from RCAIF for a consideration of £5.25 million in cash.

(vi) The agreement dated 22nd December, 1980 between Argyll and RCAIF whereby Argyll agreed to acquire Oriel from RCAIF for £19.5 million in cash.

(vii) The agreement dated 22nd December, 1980 between Argyll, Gulliver Foods, Avonmiles and JGAI whereby Gulliver Foods, Avonmiles and JGAI undertook to take up in full their aggregate entitlement to 2,622,558 ordinary shares in respect of the February, 1981 rights issue of 12,459,842 ordinary shares at a price of 65p per share.

(viii) The agreement dated 22nd December, 1980 between Samuel Montagu and Argyll whereby Samuel Montagu, in association with Noble Grossart Limited, agreed to underwrite the balance of the February, 1981 rights issue not agreed to be taken up by Gulliver Foods, Avonmiles and JGAI for an underwriting fee, amounting to 2½ per cent. of the amount underwritten, out of which Samuel Montagu paid a fee to Panmure Gordon & Co., and a fee of 2 per cent. to sub-underwriters.

(ix) The agreement dated 22nd December, 1980 between Samuel Montagu, Midland Bank plc and Argyll whereby Samuel Montagu and Midland Bank plc agreed to make available to Argyll a secured loan facility of £12 million. The facility is at a rate of interest, based on 1½ per cent. per annum over London Interbank Offered Rate and was originally repayable as to £4 million in February, 1983 and £2 million per annum from March, 1985. Note: Subsequently, £6 million of this loan was repaid on 27th March, 1981 and repayments of £2 million per annum are due from March, 1986.

(x) The offer by Argyll of 19th October, 1981 for the whole of the issued share capital of Linfood Holdings Limited; this offer subsequently lapsed following a reference to the Monopolies and Mergers Commission.

(xi) The agreement dated 9th October, 1981 between Argyll and Samuel Montagu and N. M. Rothschild & Sons Limited whereby Samuel Montagu and N. M. Rothschild & Sons Limited agreed to subscribe or procure subscribers for the 34,955,950 ordinary shares and 27,011,416 5½ per cent. convertible preference shares of £1 each which would have been allotted to shareholders of Linfood Holdings Limited who elected to receive the alternative cash consideration under the offer referred to in (x) above. Total underwriting commissions of £747,000 were paid by Argyll, out of which fees were paid to Panmure Gordon & Co. and to sub-underwriters.

(xii) The Stock Exchange contracts relating to the purchase by Argyll of 13,272,987 ordinary shares of Linfood Holdings Limited over a period of time commencing on 9th September, 1981 and their subsequent sale on 12th November, 1981.

(xiii) The agreement dated 11th May, 1982 between Allied (Holdings) and Argyll whereby Argyll has agreed to acquire Allied from Allied (Holdings) for a consideration of approximately £101 million, together with interest thereon at approximately 14 per cent. per annum from 16th April, 1982, to be satisfied by the issue of the new ordinary shares of Argyll and the payment of cash as described in this document. This agreement contains normal warranties and indemnities by Allied (Holdings) with a provision that, until the aggregate claims thereunder total £1.25 million, no such claims will be made; the agreement also contains separate indemnities from Allied (Holdings) in relation to certain items of taxation.

(xiv) The agreement dated 10th May, 1982 between Samuel Montagu and Midland Bank plc and Argyll whereby Samuel Montagu and Midland Bank plc agreed to make available to Argyll secured loan facilities of up to £26 million. Of these facilities, £9 million is at a rate of interest based on 1¼ per cent. per annum over London Interbank Offered Rate and is repayable in six semi-annual instalments of £1.5 million commencing in December, 1983. The balance of £17 million of these facilities is at a rate of interest based on 1½ per cent. per annum over London Interbank Offered Rate and is repayable as to £3 million in two semi-annual instalments of £1.5 million commencing in December, 1985, as to £8 million in four semi-annual instalments of £2 million commencing in December, 1987 and as to £6 million in two semi-annual instalments of £3 million commencing in December, 1989. This agreement contains certain undertakings by Argyll in relation to the new Argyll group which will apply until repayment of the relevant loan. These undertakings include: (a) the maintenance of certain financial ratios relating to the levels of borrowings and net tangible assets of Argyll and its subsidiaries; (b) a restriction on the Allied group acquiring or disposing of any assets other than in arms length transactions in the open market; and (c) a restriction on the new Argyll group creating any further secured borrowing. Save with the consent of Samuel Montagu and Midland Bank plc, the loans will become immediately due and payable upon the occurrence of certain specified events including certain breaches of the agreement.

(xv) The agreement dated 11th May, 1982 between Samuel Montagu, Argyll and Allied (Holdings), whose registered office is at Cavenham House, By-Pass Road, Colnbrook, Slough, Berks, whereby Samuel Montagu undertook, subject, inter alia, to listing being granted for the new ordinary shares and also to the Offer for Sale proceeding, to purchase all the new ordinary shares of Argyll from Allied (Holdings) at the striking price for an underwriting fee payable by Argyll based on 2 per cent. of the amount underwritten (at the minimum striking price), out of which a fee of ¼ per cent. will be paid to Panmure Gordon & Co. and a fee of 1¼ per cent. to sub-underwriters. The amount of the underwriting fee, including the amount payable to sub-underwriters, increases at a rate of ⅛ per cent. per week or part thereof, to the extent that the underwriting period extends beyond 9th June, 1982. Gulliver Foods participated in the sub-underwriting to the extent of 1,100,000 ordinary shares.

(xvi) The agreement dated 10th May, 1982 between Midland Bank plc and Argyll whereby Midland Bank plc agreed to offer to Allied and certain of its subsidiaries a Revolving Loan and/or Acceptance Credit Facility of £15 million in order to refinance a loan of £19 million from Citibank NA, which loan may fall due for repayment on change of ownership of Allied, and to provide additional working capital. The loan is on similar interest terms to the Citibank facility and is repayable over a period of not less than 4½ years. In addition, this agreement contains certain undertakings in relation to the Allied group which will apply until repayment of the loan. These undertakings include (a) the maintenance of certain financial ratios relating to the levels of borrowing and net tangible assets of Allied and its subsidiaries; (b) a restriction on the Allied group acquiring or disposing of any assets other than in arms length transactions in the open market and (c) a restriction on the Allied group creating any further secured borrowings. Save with the consent of Midland Bank plc, the loan will become immediately due and payable upon the occurrence of certain specified events including certain breaches of the agreement.

7. ARTICLES OF ASSOCIATION

The Articles of Association of Argyll contain, inter alia, provisions to the following effect:

(a) Subject to any special rights, restrictions or prohibitions as regards voting for the time being attached to any class of shares in the capital of Argyll, every member personally present or, if a corporation, present by a duly authorised representative, shall on a show of hands have one vote only and on a poll every member shall have one vote for every share held by him.

(b) The directors may exercise all the powers of Argyll to borrow money but shall restrict the borrowings of Argyll and exercise all rights exercisable by Argyll in relation to its subsidiaries so as to ensure that the aggregate principal amount outstanding of all monies borrowed by Argyll and its subsidiaries ("Argyll group"), excluding intra-group borrowings, shall not exceed, save with the previous sanction of an ordinary resolution of Argyll, an amount equal to two times the aggregate of the paid up share capital of Argyll and the total of the capital and revenue reserves of the Argyll group (as more particularly defined in the Articles of Association) after, inter alia, excluding any amount as having arisen in respect of intangible assets of the Argyll group as shown in a consolidation of the latest audited balance sheets of the members of the Argyll group, adjusted as may be necessary to take into account any company which has become a subsidiary of Argyll and any variation in the paid up share capital or in the share premium account of Argyll since the date of the latest audited balance sheet.

(c) The remuneration of all the directors shall be at the rate of £3,000 per annum or such sum as shall be determined from time to time by Argyll in general meeting which the directors shall divide among themselves as they think fit. Directors may also be paid all travelling, hotel and other expenses properly incurred by them in connection with the business of Argyll. Special remuneration may be granted by the directors to any member of the board who renders any special or extra services to Argyll, or who goes or resides abroad in connection with the conduct of any of the affairs of Argyll.

(d) A director may not vote in respect of any contract or arrangement or any other proposal whatsoever in which he has any material interest otherwise than by virtue of his interest in shares or debentures or other securities or otherwise in or through Argyll and a director shall not be counted in a quorum at a meeting in relation to any resolution on which he is debarred from voting. However, a director shall be entitled to vote and be counted in a quorum in respect of:

(i) the giving of any security or indemnity to him in respect of money lent or obligations incurred by him at the request of or for the benefit of Argyll or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of Argyll or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by giving of security;

(iii) any proposal concerning an offer of shares, debentures or securities of or by Argyll or any of its subsidiaries in which he is or is to be interested as a participant in the underwriting or sub-underwriting;

(iv) any proposal concerning any other company in which he is interested directly or indirectly whether as an officer, member or otherwise provided that he is not the holder of or beneficially interested in 1 per cent. or more of any class of the equity share capital of such company;

(v) any proposal concerning the adoption or modification or operation of a superannuation fund or retirement benefits scheme under which he may benefit and which has been approved by or is subject to and conditional upon the Inland Revenue for taxation purposes.

(e) A director may be or may become a director or other officer of or otherwise interested in any company promoted by Argyll or in which Argyll may be interested as shareholder or otherwise and no such director shall be accountable to Argyll for any remuneration or benefits received by him as a director or officer of, or from his interest in, such other company unless Argyll otherwise directs.

(f) The directors may appoint one or more of their number to the office of managing director on such terms as they think fit. A director so appointed shall not, whilst holding that office, be subject to retirement by rotation.

(g) The directors may on behalf of Argyll pay a gratuity or pension or allowance on retirement to any director who has held any salaried office or place of profit with Argyll or to his widow or dependants and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance.

(h) The statutory provisions concerning an age limit for directors do not apply.

(i) There is no current requirement for directors to hold qualification shares.

8. LITIGATION

So far as the directors of Argyll are aware, neither Argyll nor any of its subsidiaries is engaged in any material litigation nor are there any claims of material importance pending or threatened against any company in the new Argyll group.

9. WORKING CAPITAL

The directors of Argyll are of the opinion that, having regard to bank overdraft and other facilities available, the new Argyll group has sufficient working capital for its present requirements.

10. MATERIAL CHANGES

Save as disclosed herein relating to the proposed acquisition of Allied, there has been no material change in the financial or trading position of the new Argyll group other than in the ordinary course of business since 27th March, 1982, the date to which the last audited accounts of Argyll were made up.

11. DOCUMENTS LODGED WITH REGISTRAR OF COMPANIES

The documents attached to the copies of this Offer for Sale delivered to the Registrar of Companies for registration comprise the written consents referred to in paragraph 3 of Appendix V, the forms of application, the statements of adjustments made by Arthur Andersen & Co. and Price Waterhouse setting out the adjustments made in arriving at the figures contained in their respective reports, copies of the material contracts summarised in paragraph 6 of Appendix V, and a copy of the circulars to shareholders of Argyll and to the employees and management of the new Argyll group, both dated 4th June, 1982 to accompany this Offer for Sale.

12. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on any weekday (Saturdays excepted) up to 1st July, 1982, at the offices of Ashurst, Morris, Crisp & Co., Broadgate House, 7 Eldon Street, London EC2M 7HD:

(i) The Memorandum and Articles of Association of Argyll.

(ii) The audited accounts of the following companies: Argyll and its subsidiaries for the fifteen month period ended 28th March, 1981 and the 52 week period ended 27th March, 1982; Allied and its subsidiaries for the 52 week period ended 28th March, 1981 and the 53 week period ended 3rd April, 1982.

(iii) The report by Arthur Andersen & Co. on the former Argyll group as set out in Appendix I, together with their statement of adjustment and the letter from Arthur Andersen & Co. set out in Appendix III.

(iv) The report by Price Waterhouse on the Allied group as set out in Appendix II, together with their statement of adjustments.

(v) The report by Clive Lewis & Partners on the valuation of the freehold and long leasehold properties of the Allied group, as set out in Appendix IV.

(vi) The agreements relating to the services of Gulliver Foods, Mr. C. M. Edwards, Mr. C. S. Lawrie and Mr. H. M. Plowden Roberts referred to in paragraph 5 of Appendix V.

(vii) The material contracts, summarised in paragraph 6 of Appendix V.

(viii) The circular to the shareholders of Argyll dated 12th May, 1982, relating to the acquisition by Argyll of Allied.

(ix) The circulars to the shareholders of Argyll dated 4th March, 1980, 10th October, 1980, 21st January, 1981, 29th September, 1981 and 10th October, 1981.

(x) The written consents, referred to in paragraph 3 of Appendix V.

4th June, 1982

PROCEDURE FOR APPLICATION

1. Applications must be for a minimum of 200 shares and thereafter for the following multiples of shares:

	In multiples of:
Applications for not more than 1,000 shares	200 shares
Applications for over 1,000 shares and not more than 10,000 shares	500 shares
Applications for over 10,000 shares and not more than 25,000 shares	1,000 shares
Applications for over 25,000 shares and not more than 100,000 shares	5,000 shares
Applications for over 100,000 shares	10,000 shares

Preferential applications, on a pink preferential application form, may be made by holders of existing ordinary and convertible preference shares of Argyll for ordinary shares up to the maximum number for which each shareholder has been separately notified that he may apply without regard to the multiples set out above. Completion of a preferential application form shall not preclude existing shareholders from making further application for additional shares, in the multiples set out above. Preferential applications, on a green preferential application form, may also be made by the employees of the existing Argyll group and of the Allied group for a maximum of 1,000,000 new ordinary shares. Such preferential subscription invitations are not transferable or assignable.

2. Applications must be made on the accompanying Application Form at a minimum tender price of 85p per share or at any higher price (in units of 1p each) up to a maximum price of 100p per share.

3. Applications must be forwarded, or handed in, to Samuel Montagu & Co. Limited, New Issue Department, Augustine House, Austin Friars, London EC2N 2JL together with a remittance for the full amount payable on application so as to be received not later than 10.00 am on Thursday, 10th June, 1982. Applicants by post are advised to allow two days for delivery and to use first class mail. Photocopies of application forms will not be accepted.

4. A separate cheque or bankers draft must accompany each Application Form. Cheques and bankers drafts, which must be drawn in sterling on a bank in, and be payable in, the United Kingdom, must be made payable to "Samuel Montagu & Co. Limited" and crossed "Not Negotiable". No application will be considered unless these conditions are fulfilled. Samuel Montagu reserves the right to present all cheques for payment on receipt and to retain Letters of Acceptance and any application moneys returnable pending clearance of such cheques. Due completion and delivery of an Application Form accompanied by a cheque will constitute an undertaking that the cheque will be honoured on first presentation; attention is drawn to the declaration in the Application Form to that effect. Applications will be irrevocable until 24th June, 1982.

5. Subject as aforesaid, and as mentioned below, applications will be accepted on the following basis:

(a) All shares for which applications are wholly or partly accepted will be sold at the same price ("the striking price"), which will not be less than the minimum tender price of 85p per share nor more than the maximum tender price of 100p per share. The striking price will not necessarily be the highest price at which sufficient applications (including applications at higher prices) are received to cover all the new ordinary shares being sold. In deciding the striking price and the basis of allocation, Samuel Montagu will have regard to the need to establish a market in the new ordinary shares, for which purpose a reasonable number and spread of shareholders is required.

(b) Samuel Montagu reserves the right to refuse any application, in whole or part, regardless of the application price; multiple applications at any one price are liable to be rejected.

TECHNOLOGY

EDITED BY ALAN CANE

UK breakthrough 1—machine to layer surfaces a molecule thick

BY ELAINE WILLIAMS

BRITAIN has achieved a major breakthrough which could lead to developments as significant as the invention of the silicon chip in the 1960s.

Joyce-Loebl, part of the Vickers group, has built the first commercial machines which can deposit very thin layers—only one molecule thick—onto any surface. These are known, rather inelegantly, as Langmuir Blodgett films after the researchers who discovered the technique in the 1930s.

The potential of Langmuir Blodgett films is enormous, ranging from solar cells, chemically and biologically sensitive semiconductor devices, to luminous displays and optics.

Consistent

So, the availability of a commercial machine which can produce perfect thin films only one molecule thick marks an important step forward for researchers.

At last they have a tool to produce consistent layers to help them develop new applications.

Until now it has not been possible to deposit the layers without producing holes on the surface of the material to be coated. Any imperfection limits the LB films' usefulness, especially in electronics where an electric field has to be applied across it.

After 12 years' effort, Durham University, Joyce-Loebl, and ICI have overcome the problem.

Irving Langmuir and Katherine Blodgett developed the thin layer technique more than 50 years ago at General Electric's research laboratory in the U.S. Margaret Thatcher, during her university days even wrote a paper about these thin films.

In principle, the technique is simple. The material to be deposited is spread on the surface of a pool of water and the solid is coated with the film as it is passed through the water surface.

It is rather similar to the way in which a seagull may become polluted by oil lying on the surface of the sea.

The applications of Langmuir Blodgett films in electronics is based on several different physical characteristics of ultra-thin films.

For example, in optics the films are so thin that they can guide light very precisely along pre-determined channels. So they could be laid down in patterns to act as logic circuits with light carrying the information instead of an electric current.

Thin layers are also more sensitive to heat or pressure or certain gases. By incorporating a monomolecular layer into a conventional transistor it is possible to make the transistor equally as sensitive. So it has wide potential in all forms of sensors. It becomes, in effect, a microtransducer.

Langmuir Blodgett films could be used to improve the manufacture of conventional semiconductor devices by helping to shrink the size of individual elements on a silicon chip, so packing more components in a smaller area.

This is just the tip of a possible application of Langmuir Blodgett film, according to Professor Gareth Roberts, Head of the Applied Physics and Electronics department at Durham University, who is one of the leading researchers in the field.

Professor Roberts and his team at Durham have developed a gas sensitive transistor called a Chem FET. This has an LB layer incorporated into a conventional transistor. Depending on the make-up of the layer, the transistor will detect a particular gas.

Insulating

Similar techniques could be applied to produce heat or pressure detectors and a whole range of special electronics sensors.

Other researchers at the Royal Signals and Radar Establishment in Malvern hope to improve today's electronic displays such as liquid crystals. Such work could lead to very thin large screen televisions which could be hung on the wall like a picture.

Other work is centred on producing microelectronics circuits from materials other than silicon. It is the special insulating properties of silicon's oxide which makes it such a good material for integrated circuits.

Depositing Langmuir Blodgett films onto semi-conductor materials such as Gallium Arsenide, Indium Phosphide and Cadmium telluride, which do not possess such an insulating oxide, creates possibilities for new types of microelectronic circuits.

In the field of optical electronics, Langmuir-Blodgett films could lead to the development of tiny channels for guiding light signals to perform the type of logic functions carried out today by conventional electronic devices.

Professor Roberts said that thin films could be used to increase the efficiency of solar cells by as much as 60 per cent.

In addition, depositing several magnetic Langmuir Blodgett layers on top of each other on a silicon or other type of chip could lead to three dimensional storage of information.

This would increase dramatically the storage capacity of such electronic circuits which presently operate in only two dimensions.

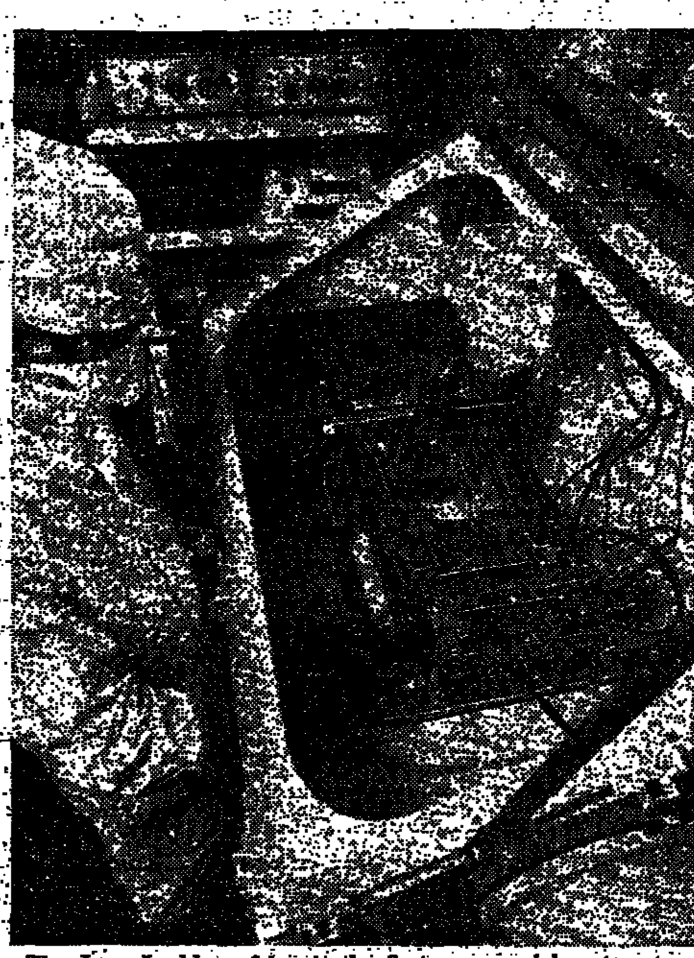
The Science and Engineering Research Council, which has championed the cause of thin films in the UK, was so concerned about Britain's role in the technology that it set up a working party of academics and industrialists two years ago to promote its development.

Investigate

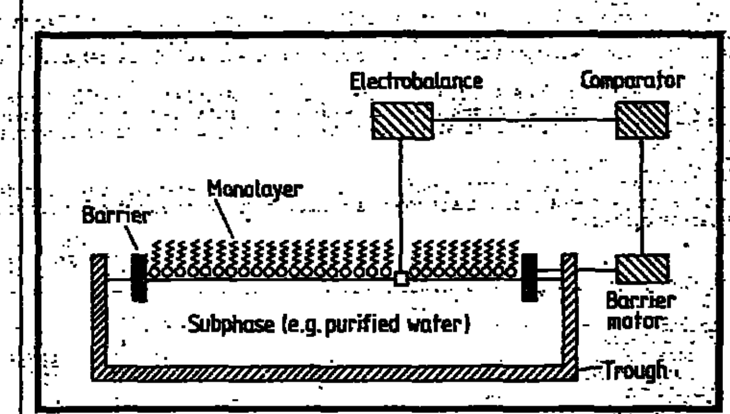
Professor Roberts chairs the working party. He says that, thanks to SERC's initiative more people want to investigate the possibilities of Langmuir Blodgett films. This interest has been reflected in the increased number of applications for SERC funding.

Professor Roberts admitted, however, that commercial exploitation of many potential applications was still several years away.

It is an area where Britain does have a technological lead over countries such as Japan and the U.S. and the hope is to maintain this lead as the technique moves from research into development.



The Joyce-Loebl machine is the first commercial system to produce perfect ultra-thin films a mere molecule thick



Schematic diagram of monolayer under investigation in a Langmuir Trough

UK breakthrough 2—cast iron 'pills' find a rising world demand

NEARLY 30,000 tonnes of cast iron "pills" for use as a major constituent of melting furnace charges in foundries making Grade 17 grey iron are now being produced annually by an advanced purpose-built plant in Kentish Town, London.

This is only the tip of possible demand according to Ecobric Foundry, which operates the hot briquetting plant, because the latest improvements in production and quality control now make possible the production in very large quantities of a high class product for which demand is rising.

Foundrymen are finding that at last they can rely on a furnace charge material produced from recycled cast iron.

The "pills" or briquettes as they should be really called, are produced from borings which result from the machining of cast-iron used in the manufacture of engine cylinder blocks. When the borings are compacted into briquettes, they can be used as furnace charge material in foundries operating cupolas, rotary furnaces or induction furnaces.

A big advantage is that the briquettes in some circumstances can be used to partially or even totally replace more expensive pig iron. It is also claimed that they overcome the problem of high melting losses of silicon and manganese which sometimes occurred when cast-iron briquettes were used previously.

Production of the briquettes involves heating the cast iron borings, which are obtained direct from major engine plant sources to 500 degrees C in an atmosphere that is carefully controlled to avoid oxidation. The hot borings are then compacted at a pressure of 500 tonnes to form a briquette weighing between seven and eight kilograms. Each briquette is about 155 mm (6 inches) in diameter and 75 mm (3 inches) thick.

Ecobric Foundry which developed and brought to its present stage the hot cast-iron briquetting process, claims that the composition of its iron pill is comparable to that of the cylinder block casting from which it was derived.

Advantages include consistent and known analysis (an important factor when dealing with recycled materials), consistent size, and more effective use of the charge pre-heating zone in cupolas.

There is also an absence of oily deposits which can cause environmental problems, absence of non-ferrous contaminants such as lead or aluminium and an absence of steel which would reduce the effective carbon and silicon content of the charge material.

Quality control called for by Ecobric is of a very high standard. Apart from random sampling of the finished briquettes, remelt and spectographic analysis is carried out by an independent laboratory. The same checks are made on incoming feed-stock material.

Hot briquetting calls for precise control of furnace atmosphere temperatures and pressures and this is where the company thinks it has made its biggest advances. Much of the development work has been with guidance from the British Cast Iron Research Association at Alvechurch in the West Midlands.

As a result of research, the company has felt able to make several claims for its briquettes: limited flame and negligible fume emission from melts, excellent compaction and strength, little breakage, and a density well in excess of the 70 per cent minimum recommended by the Institute of British Foundrymen. It was also considered that the use of the improved briquettes would be unlikely to lead to any environmental problems.

Ecobric Foundry, which is a member of the L. E. Jones Group of 746, Finchley Road, London NW11 7TH (01-458 7399) has been so much encouraged by the success of its research and development and also by the consequent growth of its business in the UK that it is now ready to enter the overseas markets.

Its first move will be into Europe, using Holland as a base. The company also believes it has opportunities in the U.S. and Asia and it is now investigating those potential markets. More from Mr Martin Stephens.

ARTHUR BENNETT

Massey's giant tractor

ONE OF the world's biggest tractors, designed to boost the productivity of major cereal growers and other large acreage producers, is to be introduced to the UK by Massey Ferguson.

Rated at 226kW, the MF 4880 is a four wheel drive, pivot steer tractor with an electronically operated three point linkage. More information on 0203 465211.

Tube end machine

A tube end working machine to meet the needs of car exhaust pipe manufacturers is the latest offering from Addisons, Bamber Bridge, Preston (Head Office: 01-993 1661). The FORM-MASTER 70X is suitable for tubes up to 70mm outside diameter, has a choice of forming heads, and, the company claims, should provide competition for a market dominated at present by imported machinery.

Mobile arc welding

AN alternator which will enable a car to be used as a mobile arc welding unit is to be marketed by the Stockton company, WeldRo Welding Supplies. It is called Auto Arc and is available in kit form as an alternator, terminal block with hand throttle, regulator, electrode holder and a 100/200v supply. Full details on 0642 62959.

Strain viewing instrument

THIS quantative strain viewing instrument below enables internal strains in glass and plastic components to be measured to a high degree of accuracy and is the latest offering from Sharples Photomechanics, Bamber Bridge, Preston (0772 36268).

It has a 140 mm diameter viewing field with polariser and analyser units mounted on separate bases. White and monochromatic is available with a tint plate for examination of materials with low optical sensitivity.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS

Cole Group, Whitecliff House, 852, Brighton Road, Purley, Surrey, 12.00
Curry's Group, 46-50, Uxbridge Road, Ealing, W., 12.30
Evered, West Bromwich Moat House, Birmingham Road, West Bromwich, 2.30
Wiggins Teape (UK), Gateway House, Basing View, Basingstoke, Hants, 12.45
Wilkes (James), 146, Oxford Street, Bilston, W. Midlands, 2.30

BOARD MEETINGS—

Finals:
Blyvooruitzicht Gold Mining
Brown (N.) Invs.
Caffyns
London Prudential Inv. Tst.
Metal Box
Reed Intnl.

Interims:
Durban Roodepoort Deep
ICL

DIVIDEND & INTEREST PAYMENTS—

Allied Intnl. Designers (USM) 0.3p
Automotive Products Db 5.2pc
Bank of Scotland 11p
Central and District Props. Db 3¼pc
Chubb and Son Lns 4, 4¼pc
Curry's Group 4.2p
Ford Intnl. Cap Cpn Ln 3⅝pc
Freemans 2.25p
Highland Distillers 0.88p
Ladbroke Group 3.827p
Midland Intnl. Finance Services Gtd Fltg Rate Notes 1992 $345.99
Nationwide Building Society 15¼pcBds 13/12/82 7⅝pc
North British Canadian Inv 3.35p
Rockwell Intnl. Cpn 39 cts
Siter Electrical 1p
Tharsis 2.5p
Ulster Television NV A3.3p
Vanburgh Currency Fund Ptg Pf 4.24p
Volvo AB A and B SK9
Wadkin 0.5p

TOMORROW

COMPANY MEETINGS—

Beattie (James), 71-78, Victoria Street, Wolverhampton, 2.30
Bentalls, Wolsey Hall, Wood Street, Kingston-upon-Thames, 12.00
Berwick Timpo, Bretton Way, Bretton, Peterborough, 12.00
Gale Lister, 2, The Calls, Leeds, 11.30
Hopkinsons Hldgs, George Hotel, Huddersfield, 12.00
Office and Electronic Machines, Winchester House, 77, London Wall, E.C., 12.00
United Newspapers, 23-27, Tudor Street, E.C., 12.30

BOARD MEETINGS—

Finals:
Atkins Bros. (Hosiery)
Capper-Neill
Cullen's Stores
Doornfontein Gold Mining
Driefontein Consolidated
Fleet Street Letter
Kloof Gold Mining
Latham (James)
Libanon Gold Mining
Premier Consolidated Oilfields
Scottcros
Sketchley
Venterspost Gold Mining
Vlakfontein Gold Mining

Interims:
Archimedes Inv.
Bass
Carr's Milling Inds.
Kitchen (Robert) Taylor

DIVIDEND & INTEREST PAYMENTS—

Cory (Horace) 0.7p
Reed Intnl. 5pcPf 1.75pc
Reed Intnl. 5pcPf 1.75pc. 7pcPf 2.45pc. Lns 2¼, 3¼pc
Tenneco Inc 65 cts

WEDNESDAY JUNE 9

COMPANY MEETINGS—

BAT Inds., St Johns, Smith Square, Westminster, S.W., 12.00
Barton Group, Penns Hall Hotel, Walmley, Sutton Coldfield, 12.30
Clarke (Clement), Institute of Directors, 116, Pall Mall, S.W., 12.00
Dreamland Electrical Appliances, Howard Hotel, Temple Place, Strand, W.C., 12.00
Gerrard and National, 32, Lombard Street, E.C., 12.00
Huntons Petroleum Services, 243, Knightsbridge, S.W., 12.30
Huntleigh, Howard Hotel, Temple Place, Strand, W.C., 12.00
Jessel Toynbee, 30, Cornhill, E.C., 4.00
Jones (Edward), Plas Coch, Bangor Road, Penmaenmawr, 2.30
Pearl Assurance, High Holborn, W.C., 12.00
TR North American Inv Tst, Mermaid House, 2, Puddle Dock, E.C., 12.45
Tozer Kemsley and Millbourn, 28 Great Tower Street, E.C., 11.45
Travis and Arnold, Saxon Inn, Silver Street, Northampton, 12.00
United Parcels, Overstone Solarium, Ecton Lane, Sywell, Northants, 12.00
Wills (George), Armoury House, City Road, E.C., 11.15

BOARD MEETINGS—

Finals:
Ariel Inds.
Brownlee
Carless, Capel and Leonard
Great Portland Estates
Pegler-Hattersley
United Electronic
Valor
Williams (W.)

Interims:
Camford Engineering
Westland

DIVIDEND & INTEREST PAYMENTS—

Adwest Group 2.1p
Bank Leumi Le-Israel BM Sh0.01
Bentalls 1.2p
Edinburgh District Council Var Rate 1983 £7.75
Hoechst AG DM 7. Cd Br DM0.7
Kensington and Chelsea Var Rate Red 1982 £7.75
McKechnie Bros 2p
Portland Hldgs 2.5 cts
United Newspapers 7.5p

THURSDAY JUNE 10

COMPANY MEETINGS—

Brown Boveri Kent, Connaught Rooms, Great Queen Street, W.C., 12.00
Bruntons (Musselburgh), Reg. Office, Musselburgh, 12.00
Camrex, Seaburn Hotel, Sunderland, Tyne and Wear, 12.00
Central and Sheerwood, Hyde Park Hotel, Knightsbridge, S.W., 12.00
Francis Inds., Institute of Chartered Accountants' Hall, Moorgate Place, E.C., 12.00
Hanger Invs., Chamber of Commerce, 75, Harborne Road, Birmingham, 2.30
Harrison (T. C.), 53-67, London Road, Sheffield, 2.00
Hestair, Dorchester Hotel, W., 12.00
Holyrood Rubber, 1-4, Great Tower Street, E.C., 11.00
Hong Kong (Selangor) Rubber, 1-4, Great Tower Street, E.C., 11.45
Kuala Selangor Rubber, 1-4, Great Tower Street, E.C., 12.30
Martin (Albert), Albany Hotel, St James's Street, Nottingham, 11.00
North (M. F. J.), Stanhope Court Hotel, Stanhope Gardens, S.W., 12.00
P&O Steam Navigation, Baltic Exchange, 14-20, St Mary Axe, E.C., 12.00
Reed (Austin), 16-21, Sackville Street, W., 12.00
Rush and Tompkins, Charing Cross Hotel, W.C., 2.30
TR Technology Inv Tst, Mermaid House, 2, Puddle Dock, E.C., 2.30
Ward White, Carpenters' Hall, Throgmorton Avenue, E.C., 12.00
Wilkinson Warburton, Caresse House, Pudsey, Yorkshire, 11.30
Wire and Plastic Products, Southcliffe Hotel, The Leas, Folkestone, 3.00

BOARD MEETINGS—

Finals:
Applied Computer Techniques
Barlow Hldgs.
Brown Shipley
Chapman Inds.
Illott (B.)
Elswick Hopper
Finlay (James)
Hill Samuel
ICP
Leigh Interests
Pifco
Rolfe and Nolan Computer Services
SGO Group
Spear (J.W.)

Interims:
Fairline Boats
Northern Foods
Sidlaw
Sonic Sound

DIVIDEND & INTEREST PAYMENTS—

AMF Inc 34 cts
Anglo American Inv Tst 226.65352p
Bank of Tokyo Curacao NV Gtd Flts Rate Notes 1991 $194.83
Barnes Group 15 cts
Boeing 35 cts
Citicorp Overseas Finance Cpn Gtd Fltg Rate Notes due 1984 $36.90
Dart and Kraft Inc 90 cts
Finlay Packaging 1.75p
General Motors Cpn 60 cts. 8drs 3 cts
Gerrard and National 10.75p
Gulf Oil Cpn 70 cts
Jessel Toynbee 2.25p
Mortgage Offices Inv Tst 1.25p
Pearson (S.) 7.45p
[illegible] Inc 27 cts
Squibb Cpn 31.5 cts
Texaco Inc 75 cts
Travelers Cpn 41 cts
United Technologies Cpn 60 cts
Warner-Lambert 33 cts
Western Hldgs 108.17544p

FRIDAY JUNE 11

COMPANY MEETINGS—

Arrow Chemicals, Newton Park Hotel, Newton, Solney, Nr Burton-on-Trent, 12.00
Coates Bros., Stationers' Hall Court, Ludgate Hill, E.C., 11.30
Dewhirst (I. J.), Royal Station Hotel, York, 12.00
Farmer (S. W.), Founders Hall, 13, St Swithins Lane, E.C., 12.00
Higgs and Hill, Waldorf Hotel, Aldwych, W.C., 12.15
House of Lerose, Metropole Hotel, NEC, Birmingham, 12.00
Liberty, 210-220, Regent Street, W., 12.00
MY Dart, Great Eastern Hotel, Liverpool Street, E.C., 12.00
Mettoy, Winchester House, 100, Old Broad Street, E.C., 12.00
Petrocon, Ship Hotel, Monument Green, Weybridge, Surrey, 12.30
Shaw (Francis), Corbett Street, Manchester, 2.00
Taylor Woodrow, Intnl. House, World Trade Centre, 1, St Katherine's Dock, E., 11.30
Turriff Cpn, Budbrooke Road, Warwick, 3.00

BOARD MEETINGS—

Finals:
Pilkington Bros.
Wigfall (Henry)

Interims:
Burco Dean
Grootvlei Proprietary Mines
Johnson and Firth Brown
Marievale Consolidated Mines
St Helena Gold Mines
Wearwell

DIVIDEND & INTEREST PAYMENTS—

Amdahl Cpn. 10 cts
Biddle Hldgs 6.6p
Central and Sherwood 0.55p
Clarke (Clement) 1.74p
East Rand Gold and Uranium 25.75608p
European Asian Capital Fltg Rate Notes 1989 $344.41
Free State Geduld Mines 82.41946p
Higgs and Hill 4p
Holyrood Rubber 30p
Hong Kong (Selangor) Rubber 17p
Hungary (National Bank of) Fltg Rate Notes 1985 $344.41
Kuala Selangor Rubber 9p
London County 5½pc 85-87 2¾pc
Lowland Inv 1.9p
Malakoff Berhad Sen 7.5
Monsanto Cpn 100 cts
North (M. F.) 0.675p
Petrocon 1.75p
President Brand Gold Mining 108.17554p
President Steyn Gold Mining 90.14628p
Safeguard Industrial Invs 1.8p
Travis and Arnold 3.69p
United Parcels 3.3p
Utico Hldgs Ord and Dfd Ord 17.5 cts

SATURDAY JUNE 12

DIVIDEND & INTEREST PAYMENTS—

Exchequer 12pc 2013-2017 6pc. 10pc 1983 5pc

Special awards for BR men

FOUR BRITISH RAIL men are to receive special awards totalling £1,000 for their ideas ranging from involved technical innovations to simple cost-effective uniform alterations.

Mr J. G. Urquart, a member of the BR board, will present the awards tomorrow at Euston headquarters to Mr Brian Parkinson and Mr Harold Smith of the Lincoln maintenance depot, Mr Sidney Carey of the Stewards Lane plant and machinery depot, South London, and Mr Wilfred Bell of the engineering works at York.

Their ideas have already won them a total of more than £4,000 and were judged the best of 3,400 submissions to BR's staff suggestions scheme last year.

This week's business in Commons and Lords

TODAY

Commons: In Recess.

Lords: Criminal Justice Bill, Second Reading. Short debate on the Government's attitude to the Horn of Africa, etc.

TOMORROW

Commons: Northern Ireland Bill, Committee.

Lords: Children's Homes Bill, Committee. Oil and Gas (Enterprises) Bill, Report. Planning Inquiries (Attendance of Public) Bill, Committee.

Select Committee: Parliamentary Commissioner for Administration—Subject: Reports of the Parliamentary Commissioner for Administration. Witnesses: Board of Inland Revenue (Room 6, 5 pm).

WEDNESDAY

Commons: Northern Ireland Bill, Committee.

Lords: Debate on the need to improve opportunities for unemployed and other school leavers with special reference to the Manpower Services Commission's youth task group report (April 1982). Gaming (Amendment) Bill, Committee. Cinematograph (Amendment) Bill, Second Reading. Short debate on this year's EEC farm prices package and the sovereign rights of Parliament.

Select Committees: Welsh Affairs—Subject: Scrutiny of Welsh Office Departments. Witnesses: Welsh Office land use planning group (Room 18, 10.30 am)

Industry and Trade—Subject: Support for Trade and Industry in Northern Ireland. Witnesses: The Hon Adam Butler MP, Minister of State and officials of the Department of Commerce, Northern Ireland (Room 16, 10.45 am).

Employment—Subject: The working of the Health and Safety Commission and Executive. Witnesses: Confederation of British Industry (Room 8, 4.15 pm).

Treasury and Civil Service Sub-Committee—Subject: The structure of personal income taxation and income support. Witnesses: Association of Independent Businesses; Confederation of British Industry (Room 15, 4.15 pm).

THURSDAY

Commons: Supply debate—subject still to be announced. Motion on MPs' pay and allowances. Private Business from 7 pm.

Lords: Local Government Finance (No 2) Bill, Report. Social Security and Housing Benefits Bill, Third Reading.

FRIDAY

Commons: Merchant Shipping (Liner Conferences) Bill, and the Taking of Hostages Bill, remaining stages.

Lords: Firearms Bill, Second Reading. Supply of Goods and Services Bill, Committee. Food and Drugs (Amendment) Bill, Committee.

Critical report on arthritis

MANY of Britain's millions who suffer from arthritis or rheumatism could be needlessly disabled because of treatment problems, in spite of advances, says a report by the Arthritis and Rheumatism Council.

The report, Arthritis in the 1980s, says there is a widening gap between advances in treatment and the ability to get them to arthritis sufferers.

The authors found that more than 8m people a year consult their doctor about arthritis or rheumatism, but in 59 UK health districts there is no specialist rheumatologist.

WORLD STOCK MARKETS

NEW YORK

1982 High	1982 Low	Stock	June 4
40⅞	31¾	ACF Industries	32⅛
27½	15⅛	AMP	15⅝
4⅝	1⅛	AM Intl.	1¼
38	23¾	ARA	29
44⅜	27⅜	ASA	29⅛
20	11⅛	AVX Corp.	15⅞
31¾	25⅜	Abbot Labs	29⅛
24⅛	17⅜	Acme Cleve	17⅜
31	15	Adobe Oil & Gas	17½
26⅞	15⅛	Advanced Micro.	22¾
47⅞	35¾	Aetna Life & Gas	35¾
14⅞	8⅝	Ahmanson (H.F.)	9⅝
37⅜	31⅛	Air Prod & Chem	28⅞
14¼	8	Akzona	14¼
27	23⅛	Albany Int.	24
14½	11⅛	Alberto-Culv.	11⅝
29½	24¾	Albertson's	28⅛
23⅛	16¼	AlcanAluminium	16⅛
22	17¼	Alco Standard	20⅞
30¼	24	Alexander & Al.	25¼
33⅛	25⅞	Alegheny Int.	25⅞
45⅛	32⅛	Allied Corp.	32¾
31⅝	24¾	Allied Stores	28¼
15⅞	12¼	Allis-Chalmers	12¾
12⅛	9⅝	Alpha Portd	11¼
26⅞	22	Alcoa	23⅛
51½	39⅝	Amal. Sugar	40⅛
48¼	21⅜	Amax	21⅝
26¼	18¾	Amdahl Corp.	20⅛
24½	15¼	Amerada Hess	20⅝
17¼	9⅜	Am. Airlines	16⅝
44	35⅝	Am. Brands	39⅛
38½	18½	Am. Broadcast's	35⅝
35⅝	25⅞	Am. Can	27⅛
29½	24⅝	Am. Cyanamid	27⅜
18½	11⅛	Am. Elect. Powr.	17
50	39⅝	Am. Express	41⅞
45⅜	38½	Am. Gen. Insnce.	39⅛
16½	10¾	Am. Hoist & Dk.	12¼
38¼	33⅜	Am. Home Prod.	35¼
45¾	37½	Am. Hosp. Suppy	40⅞

1982 High	1982 Low	Stock	June 4
33½	28¾	Columbia Gas	31⅛
71¼	41¾	Columbia Pict.	70⅞
23¼	19¼	Combined Int.	20⅜
36⅝	24⅛	Combustn. Eng.	25½
22½	19⅛	Cmwlth. Edison.	22
67⅜	52½	Comm. Satellite	54
15	11¼	Comp. Science	12
32⅛	28¼	Cone Mills	32⅛
27½	21¼	Conrac	23¾
38⅝	31¼	Cons Edison	35¼
36	29¾	Cons. Foods	32¼
40⅛	32¾	Cons Freight	34¾
50⅝	40⅛	Con. Nat. Gas	43⅝
18⅛	16½	Conmuer Power	17½
4¾	3	Cont. Air Lines	4⅛
28⅝	23¾	Contl. Corp	24⅛
33⅛	27	Contl. Group	27½
36½	25¾	Conti. Illonis.	26⅛
17¼	15	Contl. Telep.	16¾
36¾	23⅞	Control Data	24
32⅛	29	Cooper Inds.	29
13	9⅞	Coors Adolph	11
26⅝	15⅛	Copperweld	15½
56⅞	39⅞	Corning Glass	46¾
22	19⅝	Corroon Black	20½
32⅝	26⅞	Cox Broancast'g	25⅞
35⅛	22¼	Crane	22⅝
36	27	Crocker Nat.	27½
30⅝	23¾	Crown Cork	23⅞
22⅝	18⅝	Crown Zell	19⅞
39⅝	32½	Cummins Eng	32⅝
46¼	35½	Curtiss-Wright	43
8⅝	6⅛	Damon	7⅛
30⅛	25¼	Dana	26⅞
53⅞	48⅝	Dart & Kraft	51⅞

HONG KONG

1982 High	1982 Low	June 4	Price H.K $
22.5	14.4	Cheung Kong	16.9
2	1.55	Cosmos Prop.	1.85
11.7	10.1	Cross Harbour	10.7
130	88.5	Hang Seng Bank	90.5
6.7	4.67	HK Electric	6.70
5.95	4.07	HK Kowloon Wh.	5.10
9.65	6.45	HK Land	8.10
12.2	9.8	HK Shanghai BK.	11.6
34.25	25.2	HK Telephone	31.3
18.5	13.5	Hutchison Wpa	16.8
18.6	13.5	Jardine Math.	17.7
5.15	3.5	New World Dev.	4.10
6.35	4.7	O'seas Trust Bk.	6.0
9.2	5.5	SKH Props.	7.5
12.6	8.85	Swire Pac A	11.6
6.9	4.9	Wheel'k Mard A.	6.15
5.2	4.7	Wheel'k Mariti'e	4.7
3.25	2.27	World Int. Hldgs.	3.1

JAPAN

1982 High	1982 Low	June 5	Price Yen
949	795	Ajinomoto	840
720	520	Amada	540
713	530	Asahi Glass	530
462	399	Bridgestone	419
1,010	643	Canon	785
337	258	Citizen	296
658	600	Daiei	623
485	359	DKBO	483
786	360	Dia Nippon Ptg	618
425	363	Daiwa House	377
410	355	Daiwa Seiko	387
469	372	Ebara	372
1,040	752	Eisai	833

CANADA

HOLLAND

NORWAY

ITALY

AUSTRALIA

GERMANY

SINGAPORE

SOUTH AFRICA

BRAZIL

AUSTRIA

BELGIUM/LUXEMBOURG

FRANCE

DENMARK

SWEDEN

SWITZERLAND

TEL AVIV

Indices

NEW YORK ACTIVE STOCKS

MONEY MARKETS

Beyond the conflict

The mood of the London money market was much more optimistic last week. The news blackout by the Ministry of Defence, meant that very little trustworthy information about the Falkland Islands was available, but even before the week was over the market was looking beyond the conflict. A further cut in bank base lending rates in the not too distant future was confidently expected, while improving market sentiment was reinforced by the Conservative by-election success at Merton, Mitcham and Morden.

Short-term interest rates fell by about ½ per cent, although the key seven-day interbank rate was little changed on the week. The three-month rate of 12 15/16 per cent, compared with 13 9/16 per cent at the beginning of April, just prior to the Argentine invasion of the Falklands.

In Paris period interest rates were firmer, but call money was unchanged throughout at 16½ per cent, despite pressure on the French franc in foreign exchange trading. The Bank of France money market intervention rate was also left at 16 per cent when the authorities intervened on Thursday and Friday to add liquidity. A very wide differential has opened up between domestic Paris rates and external French franc interest rates as part of the moves to shore up the currency.

In Frankfurt call money traded steadily at around the Bundesbank Lombard level of 9 per cent, helping to keep the money market stable, since the Lombard facility is that used by commercial banks to borrow from the central bank. Lombard borrowing was fairly low as the new month began, declining as the banks completed their May minimum reserve requirements.

It was hoped in the market that the Bundesbank would replace the DM 5.3bn securities repurchase agreement, expiring today, with an agreement of similar size. But at Friday's tender the central bank accepted bids for only DM 6.1bn, from total tenders of DM 23.7bn, for another 28-day agreement. A further DM 4.2bn will be drained from the market next Monday when a similar facility runs out.

WEEKLY CHANGE IN WORLD INTEREST RATES

LONDON	June 4	change	NEW YORK	June 4	change
Base rates	13	Unch'd	Prime rates	16-16½	Unch'd
7 day Interbank	13¼-13⅛	+⅛	Federal funds	13⅞-13⅛	Unch'd
3 mth Interbank	12⅞-13⅛	-⅛	3 mth Treasury Bills	12.08	+0.54
Treasury Bill Tender	12.2335	-0.6785	6 Mth. Treasury Bills	12.06	+0.41
Band 1 Bills	13⅛	Unch'd	3 Mth. CD	13.90	-0.40
Band 2 Bills	13	Unch'd	FRANKFURT		
Band 3 Bills	12¾*	-⅛	Lombard	9.0	Unch'd
3 Mth. Treasury Bills	12	+⅛	One Mth. Interbank	9.075	+0.80
1 Mth. Bank Bills	13	-⅛	Three month	9.125	+0.025
3 Mth. Bank Bills	12⅞	-⅛	PARIS		
TOKYO			Intervention Rate	16	Unch'd
One month Bills	7.28125	Unch'd	1 Mth. Interbank	16⅛	+⅛
Three month Bills	7.21875	Unch'd	Three month	16⅛	+⅛
BRUSSELS			MILAN		
One month	14⅛	Unch'd	One month	20⅛	Unch'd
Three month	14⅛	Unch'd	Three month	20⅛	
AMSTERDAM			DUBLIN		
One month	8⅝	Unch'd	One month	19¼	-⅛
Three month	8⅝	Unch'd	Three month	19¼	-¼

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, and band 3 bills 34 to 63 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market, and their respective changes during the week. *Band 4 12⅞.

BANK OF ENGLAND TREASURY BILL TENDER

	June 4	May 28		June 4	May 28
Bills on offer	£100m	£100m	Top accepted rate of discount	12.2335%	12.6747%
Total of applications	£489.856m	£491.515m	Average rate of discount	12.2195%	12.6575%
Total allocated	£100m	£100m	Average yield	12.60%	13.08%
Minimum accepted bid	£96.95	£96.84	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	62%	58%			

FT LONDON INTERBANK FIXING

3 months U.S. dollars	
bid 14 5/8	offer 14 3/4

6 months U.S. dollars	
bid 14 11/16	offer 14 13/16

The fixing rates (June 4) are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

June 4 1982	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	3-13¼	13-13¼	—	—	12-13¼	8-13	—	—	—
2 days notice	—	—	13-13¼	—	—	—	—	—	—	—
7 days or 7 days notice	—	13⅛-13⅜	13-13¼	—	—	13¼-13⅜	13	—	—	—
One month	13⅛-13⅛	13⅛-13¼	13⅛	13¼-13⅛	13⅛	13⅛-13¼	12⅞	13	13	13⅞
Two months	12⅞-12⅞	12⅞-13⅛	13	13⅛-13⅛	13	13⅛	12⅞	12⅞	12⅞	13⅛
Three months	12⅞-12⅞	12⅞-13⅛	13	13⅛-13⅛	13	13⅛	12⅞	12⅞	12⅞	12⅞
Six months	12⅞-12⅞	12⅞-13	13	13⅛-11⅞	13	—	—	—	—	—
Nine months	12⅞-12⅞	12⅞-12⅞	13	13⅛-12⅞	13	—	—	—	—	—
One year	12⅞-12⅞	12⅞-13⅛	12⅞	13-12⅞	13	—	—	—	—	—
Two years	—	—	—	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rates, nominally three years 13⅞ per cent; four years 13⅞ per cent; five years 13⅞ per cent. ♦Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 12⅞ per cent; four months trade bills 12⅞ per cent.

Approximate selling rates for one month Treasury bills 12⅞ per cent; two months 12⅞ per cent; three months 12⅝ per cent. Approximate selling rate for one month bank bills 12⅞ per cent; two months 12⅞ per cent and three months 12⅞ per cent; one month trade bills 13¼ per cent; two months 13 per cent; three months 12⅞ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 14 per cent from June 1 1982. London and Scottish Clearing Bank Rates for lending 13 per cent. London Clearing Bank Deposit Rates for sums at seven days' notice 10-10⅛ per cent. Treasury Bills: Average tender rates of discount 12.6575 per cent.

Certificates of Tax Reposit (Series 5) 13¾ per cent from May 14. Deposits withdrawn for cash 11 per cent.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

June 4	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short term	13⅛-13¼	13¾-14	17-18	8⅝-8⅞	3¼-3¾	8⅛-8⅜	25-35	18-20	13¾-14¾	14⅛-15	6⅝-6⅞	—
7 day's notice	13⅛-13¼	14-14¼	17-18	8⅜-8⅝	2⅛-3	8⅜-8⅝	35-45	22-24	14⅛-16⅛	14⅛-15	6⅞-7	18⅛-20
Month	13-13⅛	14¼-14⅜	17-17⅛	8⅞-8⅞	3⅛-3⅞	8⅝-8⅞	33-34	25⅞-25	16¾-17	14⅞-15	6⅞-7⅛	18¾-20¼
Three months	12¾-12⅞	14½-14¾	16⅞-17⅛	8⅜-8⅝	4⅛-4⅜	8 9/16-8 11/16	27-29	25¾-24⅛	16½-17	14⅞-15	7-7⅛	19⅝-21⅛
Six months	12⅝-12⅞	14⅝-14⅞	16⅞-16⅞	8⅜-8⅝	4⅝-4⅞	8 11/16-8 13/16	24-25	23½-24	16½-17	14 11/16-14 13/16	7 1/16-7 3/16	18⅝-20⅛
One year	12⅞-13	14⅞-14⅞	16⅞-16⅞	8⅜-8⅝	5-5½	8 11/16-8 13/16	21-22	23½-24¼	16-16½	14½-14¾	7⅛-7¼	17½-19

SDR linked deposits: one month 14-14⅛ per cent; three months 13⅞-14 per cent; six months 13 13/16-13 15/16 per cent; one year 13 13/16-13 7/16 per cent.

ECU linked deposits: one month 15 9/16-15 15/16 per cent; three months 14 13/16-15 3/16 per cent; six months 14 9/16-14 15/16 per cent; one year 13⅝-14 per cent.

Asian $ (closing rates in Singapore): one month 14 7/16-14 9/16 per cent; three months 14 9/16-14 11/16 per cent; six months 14⅝-14¾ per cent; one year 14⅝-14¾ per cent. Long-term Eurodollar two years 14¾-15 per cent; three years 14⅞-15⅛ per cent; four years 15-15¼ per cent; five years 15⅛-15⅜ per cent; nominal closing rates. Short-term rates are call for U.S. dollars, Canadian dollars and Japanese yen; others two days' notice.

The following rates were quoted for London dollar certificates of deposit: one month 14.10-14.20 per cent; three months 14.25-14.35 per cent; six months 14.30-14.40 per cent; one year 14.30-14.40 per cent.

CURRENCIES AND GOLD

Dollar drifts

The dollar showed no clear direction last week as a result of confusion about the future trend in U.S. interest rates. Nervousness about the continuation of the European Monetary System in its present form contributed to a general move into dollars on Tuesday, after the holiday weekend, but profit taking, followed by lack of conviction about the immediate future pulled the U.S. currency back as the week went on. The Bundesbank intervened at the Frankfurt fixing for the first time since March 31, selling dollars on Tuesday and Wednesday as the U.S. unit rose to a peak of DM 2.39, the highest level for about six weeks.

On the other hand the German central bank was forced to give assistance to one or two of its weaker partners in the EMS. Concerted action by the authorities in Frankfurt and Paris eased the pressure on the French franc, which touched its lowest permitted level against the D-mark during the week. At the same time Euro French franc seven-day funds were driven up to 65-70 per cent, and remained very high throughout. Fears of a franc devaluation, and possible withdrawal from the EMS, are likely to surround the French franc for some time, and depress other weak currencies. The Belgian franc was only prevented from falling below its floor against the D-mark at the Frankfurt fixing by the purchase of BFr 127m by the Bundesbank on Friday, while on the same day the Bank of France continued its support for the French franc by selling at least DM 100m at the Paris fixing.

Sterling shrugged off any nervousness about the Falklands dispute, and gained ground against all major currencies, including the dollar. The pound's trade-weighted index, on Bank of England figures, rose to 90.6 from 90.1. It improved to $1.7960 from $1.7905, and to DM 4.2350 from DM 4.2075 against the D-mark; to FFr 11.0450 from FFr 10.9650 against the French franc; and to SwFr 3.6350 from SwFr 3.5850 in terms of the Swiss franc.

Gold had a very quiet week, showing a slightly weaker trend, despite the continuing conflict around the globe. It fell $5¾ to $318¼-319.

THE DOLLAR SPOT AND FORWARD

June 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7920-1.7990	1.7955-1.7965	0.18-0.28c dis	−1.54	0.80-0.90dis	−1.89
Ireland†	1.4630-1.4700	1.4635-1.4655	0.65-0.55c pm	4.91	1.90-1.75 pm	4.97
Canada	1.2470-1.2495	1.2480-1.2485	0.27-0.30c dis	−2.74	0.68-0.72dis	−2.24
Nethlnd	2.6060-2.6150	2.6070-2.6100	1.32-1.22c pm	5.83	3.90-3.80 pm	5.89
Belgium	44.45-44.70	44.53-44.55	5-8c dis	−1.75	19-23 dis	−1.88
Denmark	8.0475-8.0825	8.0525-8.0575	2¾-3ore dis	−4.27	5.85-6.35dis	−3.02
W. Ger	2.3480-2.3680	2.3555-2.3565	1.15-1.10pf pm	5.73	3.50-3.45 pm	5.90
Portugal	71.50-72.50	72.05-72.25	50-200c dis	−20.79	150-525dis	−18.71
Spain	105.20-105.90	105.20-105.25	22-28c dis	−2.85	85-95 dis	−3.42
Italy	1,307-1,314	1,307-1,308	10¾-11¾lire dis	−9.86	29½-31½ dis	−9.32
Norway	6.0500-6.0640	6.0500-6.0550	0.10-0.50ore dis	−0.60	0.20-0.60dis	−0.26
France	6.1400-6.1800	6.1500-6.1550	9¾-10¾c dis	−19.98	20-21½ dis	−13.48
Sweden	5.8650-5.8840	5.8650-5.8700	0.50-0.30ore pm	0.82	1.80-1.60 pm	1.16
Japan	243.00-244.00	243.70-243.80	1.54-1.46y pm	7.38	4.53-4.43 pm	7.35
Austria	16.55-16.64	16.57½-16.58½	9-7¼gro pm	6.05	26¾-23¼ pm	5.96
Switz	2.0180-2.0320	2.02220-2.0230	1.89-1.81c pm	10.98	5.16-5.08 pm	10.13

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

THE POUND SPOT AND FORWARD

June 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.7920-1.7990	1.7955-1.7965	0.18-0.28c dis	−1.54	0.80-0.90dis	−1.89
Canada	2.2375-2.2475	2.2405-2.2415	0.72-0.82c dis	−4.12	2.20-2.30dis	−4.02
Nethlnd.	4.67-4.71	4.68-4.69	2-1½c pm	4.48	5¼-4¾ pm	4.16
Belgium	79.85-80.35	79.95-80.05	18-28c dis	−3.45	72-82 dis	−3.85
Denmark	14.46-14.51	14.47-14.48	6⅜-7½ore dis	−5.85	16¾-17⅜ dis	−4.68
Ireland	1.2230-1.2300	1.2250-1.2260	0.60-0.72p dis	−6.46	2.06-2.22dis	−6.98
W.Ger	4.22½-4.25	4.23-4.24	1⅝-1¼pf pm	4.25	4⅝-4½ pm	4.13
Portugal	129.00-130.00	129.25-129.75	100-38c dis	−22.24	330-1015dis	−20.77
Spain	189.00-190.25	189.00-189.20	69-73c dis	−4.19	223-258 dis	−5.07
Italy	2,347-2,359	2,347½-2,349½	19½-22½lire dis	−10.73	61½-66½dis	−10.90
Norway	10.86-10.90	10.87-10.88	1¼-2⅛ore dis	−2.00	4⅝-5⅞ dis	−1.93
France	11.03-11.09	11.04-11.05	18¾-21¼c dis	−21.46	41-45 dis	−15.57
Sweden	10.53-10.58	10.53½-10.54½	⅛-1ore dis	−0.78	1¼-1⅞ dis	−0.54
Japan	435-440	437-438	2.25-2.05y pm	5.90	6.05-5.85 pm	5.44
Austria	29.72-29.95	29.78-29.83	12½-9½gro pm	4.43	35-28 pm	4.23
Switz	3.62-3.65½	3.63-3.64	3¼-2¾c pm	9.90	7⅞-7⅜ pm	8.39

Belgian rate is for convertible francs. Financial franc 87.35-87.45. Six-month forward dollar 1.73-1.83c dis. 12-month 2.87-3.07c dis.

FORWARD RATES AGAINST STERLING

	Spot	1 month	3 month	6 month	12 month
Dollar	1.7960	1.7983	1.8045	1.8138	1.8257
D-Mark	4.2350	4.22	4.1912	4.1552	4.0730
French Franc	11.0450	11.2425	11.475	11.685	11.8818
Swiss Franc	3.6350	3.605	3.5587	3.5093	3.3924
Japanese Yen	437.50	436.34	431.53	425.75	414.50

GOLD MARKETS

	June 4		June 3	
Gold Bullion (fine ounce)				
Close	$318¼-319	(£176-176½)	$320-320¾	(£178-178½)
Opening	$316¼-317	(£177-177½)	$320½-321¼	(£178½-179)
Morning fixing	$318.50	(£177.339)	$322	(£179.657)
Afternoon fixing	$318.75	(£177.409)	$320.35	(£178.269)
Gold Coins				
Krugerrand	$327-327¾	(£182-182½)	$329¾-330½	(£183¼-183¾)
1/2 Krugerrand	$168½-169½	(£93¾-94¼)	$169¾-170¾	(£94½-95)
1/4 Krugerrand	$85¾-86¾	(£47¾-48¼)	$86½-87½	(£48¼-48¾)
1/10 Krugerrand	$35-36	(£19½-20)	$35¼-36¼	(£19¾-20¼)
Mapleleaf	$327-328	(£182-182½)	$329¾-330¾	(£183¼-184)
New Sovereigns	$76¼-76¾	(£42½-42¾)	$77¼-77¾	(£43-43¼)
King Sovereigns	$89½-91	(£50-50½)	$90½-92	(£50½-51)
Victoria Sovs	$89½-91	(£50-50½)	$90½-92	(£50½-51)
French 20s	$71¼-73½	(£39¾-41)	$71¼-73¾	(£39¾-41)
50 pesos Mexico	$391½-394	(£218-219¼)	$392½-395	(£218½-219¾)
100 Cor. Austria	$311½-314	(£173½-174¾)	$313-315½	(£174¼-175½)
$20 Eagles	$408-413	(£227-230)	$412-416	(£229¼-231½)

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU June 4	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.6963	45.1173	+0.94	+1.03	±1.5440
Danish Krone	8.18382	8.16820	−0.19	−0.10	±1.6428
German D-Mark	2.41815	2.38776	−1.26	−1.17	±1.1097
French Franc	6.19564	6.23547	+0.64	+0.73	±1.3743
Dutch Guilder	2.67296	2.64698	−0.97	−0.88	±1.5069
Irish Punt	0.686799	0.690880	+0.59	+0.68	±1.6689
Italian Lira	1305.13	1327.04	+1.68	+1.68	±4.1242

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

OTHER CURRENCIES

June 4	£	$		£ Note Rates
Argentine Peso	26,328-26,368†	14,650-14,700†	Austria	29.75-30.05
Australia Dollar	1.7130-1.7150	0.9540-0.9545	Belgium	87¼-88¼
Brazil Cruzeiro	293.53-294.53	163.35-164.17	Denmark	14.44-14.58
Finland Markka	8.183-8.202	4.5650-4.5670	France	11.02-11.13
Greek Drachma	116.078-116.567	64.50-64.70	Germany	4.22½-4.26½
Hong Kong Dollar	10.36¾-10.38	5.7740-5.7790	Italy	2305-2350
Iran Rial	147.00*	82.00*	Japan	437-442
Kuwait Dinar KD	0.5148-0.5158	0.2868-0.2870	Netherlands	4.67½-4.71½
Luxembourg Fr.	79.95-80.05	44.53-44.55	Norway	10.83-10.93
Malaysia Dollar	4.1280-4.1380	2.2990-2.3020	Portugal	127-140
New Zealand Dlr.	2.3575-2.3615	1.3125-1.3145	Spain	182¼-191½
Saudi Arab. Riyal	6.1525-6.1625	3.4280-3.4290	Sweden	10.52-10.62
Singapore Dollar	3.77-3.78	2.1000-2.1030	Switzerland	3.62½-3.66½
Sth. African Rand	1.9470-1.9485	1.0840-1.0850	United States	1.79-1.81
U.A.E. Dirham	6.5900-6.6020	3.6715-3.6735	Yugoslavia	82-104

† Now one rate. * Selling rate.

CURRENCY MOVEMENTS

June 4	Bank of England Index	Morgan Guaranty Changes%
Sterling	90.6	−32.8
U.S. dollar	115.2	+8.0
Canadian dollar	86.5	−19.5
Austrian schilling	118.1	+26.7
Belgian franc	95.6	−1.7
Danish kronar	83.7	−13.3
Deutsche mark	124.7	+48.2
Swiss franc	144.9	+93.5
Guilder	116.4	+22.0
French franc	79.5	−14.7
Lira	54.1	−58.4
Yen	135.0	+29.6

Based on trade weighted changes from Washington agreement December, 1971. Bank of England Index (base average 1975=100).

CURRENCY RATES

June 4	Bank rate %	Special Drawing Rights	European Currency Units
Sterling	—	0.624682	0.564270
U.S. $	12	1.12260	1.01456
Canadian $	15.87	—*	1.26718
Austria Sch.	6¾	18.6329	16.8011
Belgian F.	14	49.9445	45.1173
Danish Kr.	11	9.06500	8.16820
D mark	7½	2.64541	2.38776
Guilder	8	2.93055	2.64698
French Fr.	9½	6.89960	6.23547
Lira	19	1468.36	1327.04
Yen	5½	274.159	246.639
Norwgn. Kr.	9	6.80745	6.15075
Spanish Pta.	8	119.353	107.858
Swedish Kr.	10	6.60650	5.95900
Swiss Fr.	5½	2.26844	2.05012
Greek Dr'ch.	20½	n.a	65.7940

*C$/SDR rate for June 3: 1.39268

EXCHANGE CROSS RATES

June 4	Pound St'rling	U.S. Dollar	Deutschem'k	Japanese Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canadia Dollar	Belgian Franc
Pound Sterling	1	1.796	4.235	437.5	11.045	3.635	4.685	2349.	2.241	80.00
U.S. Dollar	0.557	1.	2.358	243.6	6.150	2.024	2.609	1308.	1.248	44.54
Deutschemark	0.236	0.424	1.	103.3	2.608	0.858	1.106	554.5	0.529	18.89
Japanese Yen 1,000	2.286	4.105	9.680	1000.	25.25	8.309	10.71	5368.	5.122	182.9
French Frank 10	0.905	1.626	3.834	396.1	10.	3.291	4.242	2126.	2.029	72.43
Swiss Franc	0.275	0.494	1.165	120.4	3.039	1.	1.289	646.1	0.617	22.01
Dutch Guilder	0.213	0.383	0.904	93.38	2.358	0.776	1.	501.3	0.478	17.08
Italian Lira 1,000	0.426	0.765	1.803	186.3	4.703	1.548	1.995	1000.	0.954	34.06
Canadian Dollar	0.446	0.801	1.890	195.2	4.929	1.622	2.091	1048.	1.	35.70
Belgian Franc 100	1.250	2.245	5.294	546.9	13.81	4.544	5.856	2936.	2.801	100.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED TRUSTS

[illegible]

INSURANCE & OVERSEAS MANAGED FUNDS

INSURANCES

Abbey Life Assurance Co. Ltd.
1-3 St. Paul's Churchyard, EC4. 01-248 9111

Property Fund	227.5	239.5	—	—
Equity Fund	53.2	56.0	—	—
Property Acc.	266.5	280.4	—	—
Equity Acc.	50.9	53.6	—	—
Selective Fund	150.8	158.8	—	—
Money Fund	166.2	175.0	—	—
Convertible Fund	178.4	187.8	—	—
Prop. Fd. Ser. 4	210.1	221.2	—	—
Equity Ser. 4	56.7	59.7	—	—
Man. Ser. 4	201.7	212.4	—	—
Money Ser. 4	150.8	158.8	—	—
Conv. Ser. 4	150.9	158.9	—	—
Fixed Int. Fd. Ser. 4	118.1	124.4	—	—
American Ser. 4	108.9	114.7	-0.5	—
High Inc. Ser. 4	118.3	124.6	—	—
Indexed Inv. Series 4	96.8	104.9	—	—
Pension Property	317.5	334.3	—	—
Pension Equity	292.4	307.8	+1.2	—
Pension Selective	152.0	160.0	—	—
Pension Managed	298.3	314.0	+0.6	—
Pension Security	221.7	232.8	—	—
Pension Fixed Int.	114.6	120.7	—	—
Pension Indexed Inv.	96.9	102.0	—	—

Albany Life Assurance Co. Ltd.
31, Old Burlington St., W.1. 01-437 9962

Equity Fd. Acc.	327.2	344.3	+0.4	—
Fixed Int. Acc.	196.7	207.0	+0.6	—
Gtd. Money Fd. Ac.	155.7	163.9	—	—
Intl. Man. Fd. Acm.	143.9	151.4	-0.8	—
Intl. Fxd. Int. Fd.	107.4	113.0	+0.1	—
Prop. Fd. Acc.	158.9	167.3	—	—
M'ple Inv. Acc.	253.0	266.3	—	—
Equity Pen. Fd. Acc.	451.3	475.0	+0.8	—
Fixed I. Pen. Acc.	316.6	333.2	+1.3	—
G'td. Mon. Pen. Acc.	215.3	226.7	+0.1	—
Intl. Mn. Pn. Fd. Acc.	166.0	174.7	-1.0	—
Prop. Pen. Acc.	209.4	220.4	—	—
M'ple Inv. Pen. Acc.	367.4	386.7	+0.1	—

AMEV Life Assurance Ltd.
2-6, Prince of Wales Rd., B'mouth. 0202 762122

Managed Fd.	197.7	208.3	—	—
Money Fd.	143.3	150.8	—	—
Equity Fd.	152.6	160.8	—	—
[illegible]				

[illegible]

OFFSHORE AND OVERSEAS

[illegible]

NOTES

[illegible]

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked & Variable Rate

[illegible]

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH AND AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

[illegible]

LOANS—Continued

Financial

[illegible]

Building Societies

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS AND HIRE PURCHASE

[illegible]

BANKS & H.P.—Cont.

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

CHEMICALS, PLASTICS—Cont.

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ENGINEERING MACHINE TOOLS

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

FOOD, GROCERIES—Cont.

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

INSURANCE

LEISURE

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc.

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

RUBBERS AND SISALS

TEAS

India and Bangladesh

Sri Lanka

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum

MINES—Continued

Central African

Australian

Tins

Copper

Miscellaneous

Dividends Paid		Stock	Price	Last xd	Div Net	Cvr	Yld Gr's
—		Anglo-Dominion	23	—	—	—	—
May		Burma Mines 10p	13	30.4	0.55	1.8	6.0
—		Colby Res. Corp.	55	—	—	—	—
Aug.	Feb.	Cons. Murch. 10c.	190	23.12	‡Q60c	1.9	‡
—		‡‡Explaura Gold	5	—	—	—	—
—		Highwood Res.	70	—	—	—	—
—		Northgate C$1	195	977	—	—	—
Jan.	July	R.T.Z.	418	23.11	16.0	2.1	5.6
Jan.	July	Do.9⅝%Cnv.Un.Ln.'95-2000	£100½	9.11	Q9½%	30.0	f9.9
—		Sabina Inds. C$1	12	—	—	—	—
—		‡Southwest C. 10p	38	—	—	—	—
—		Tara Exptn. $1	320	—	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- * *Highs and Lows marked thus have been adjusted to allow for rights issues for cash.*
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ✣ *USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.*
- †† Dealt in under Rule 163(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ *Merger bid or reorganisation in progress.*
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value
- §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e *Redemption yield.* f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous *dividend, P/E ratio based on latest annual earnings. u Forecast* dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. x Dividend cover in excess of 100 times. y *Dividend and yield* based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1983-84. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1982. K Figures based on prospectus or other official estimates for 1980-82. M Dividend and yield based on prospectus or other official estimates for 1983. N Dividend and yield based on prospectus or other official estimates for 1982-83. P Figures based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

			IRISH		
Albany Inv. 20p	40	......			
Bertrams	17¢	......	Conv. 9% '80/82	£97⅝	+⅛
Bdg'wtr Est. 50p	410	......	Nat. 9¾% 84/89	£71½	+⅛
Craig & Rose £1	£12¾	......	Fin. 13% 97/02	£74⅝	+⅛
Finlay Pkg. 5p	28	......	Alliance Gas	77	+4
Graig Ship. £1	£26	......	Arnott	200xd	......
Higsons Brew.	98	+2	Carroll (P.J.)	75	......
Holt (Jos) 25p	680	+20	Concrete Prods.	75	......
I.O.M. Stm. £1	120	......	Helton (Hldgs.)	20	......
Pearce (C. H.)	£10¾	......	Irish Ropes	36	......
Peel Hldgs.	145	......	Jacob	70	......
Sheff. Refrshmt	73	......	T.M.G.	8	+1
Sindall (Wm.)	205	......	Unidare	44	......

OPTIONS

3-month Call Rates

Industrials					
		House of Fraser	15	Utd. Drapery	7
Allied-Lyons	8	I.C.I.	24	Vickers	16
BOC Intl.	15	"Imps"	8	Woolworths	5
B.S.R.	8½	I.C.L.	5½	**Property**	
Babcock	10	Ladbroke	15		
Barclays Bank	42	Legal & Gen.	19	Brit. Land	7½
Beecham	21	Lex Service	10	Cap. Counties	10
Blue Circle	48	Lloyds Bank	42	Land Secs.	28
Boots	19	"Lofs"	6½	MEPC	20
Bowater	24	London Brick	7	Peachey	14
Brit. Aerospace	17	Lucas Inds.	20	Samuel Props.	11
B.A.T.	38	"Mams"	12	Town & City	3½
Brown (J.)	7	Mrks. & Spncr	12		
Burton Ord.	15	Midland Bank	30	**Oils**	
Cadburys	9	N.E.I.	9		
Courtaulds	8	Nat. West. Bank	38	Brit. Petroleum	26
Debenhams	7	P & O Dfd.	14	Burmah Oil	10
Distillers	15	Plessey	32	Charterhall	6
Dunlop	6½	Racal Elect.	35	KCA	14
Eagle Star	31	R.H.M.	6½	Premier	6
F.N.F.C.	4	Rank Org. Ord.	20	Shell	30
Gen. Accident	28	Reed Intnl.	26	Tricentrol	22
Gen. Electric	65	Sears	6	Ultramar	38
Glaxo	42	T.I.	13	**Mines**	
Grand Met.	17	Tesco	5½		
G.U.S. 'A'	45	Thorn EMI	42	Charter Cons.	25
Guardian	25	Trust Houses	11	Cons. Gold	45
G.K.N.	15	Turner & Newall	11	Lonrho	7
Hawker Sidd.	30	Unilever	55	Rio T. Zinc	42

"Recent Issues" and "Rights" Page 20

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £600 per annum for each security

FINANCIAL TIMES
Monday June 7 1982

Economy 'to remain in the doldrums'

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

THE ECONOMY is expected to remain in the doldrums for several months before resuming a weak forward movement, says the Confederation of British Industry in its latest assessment, published today.

This outlook, which the CBI ascribes mainly to the poor prospects for the world economy, will be a disappointment to those who hoped activity in the UK would soon gather momentum.

It is generally agreed that the bottom of the recession was reached nearly a year ago but, after an improvement in activity last summer, output fell again at the turn of the year.

The CBI says in its Monthly Trends Inquiry for May that there will be little underlying change in manufacturing output in the next few months.

Its monthly survey of about 1,640 manufacturers showed a slightly more pessimistic view of output for the first time since December.

The balance of replies in surveys since last July indicated a gradual but sustained improvement in companies' views of future output. There was a pause in this trend at the beginning of the year when production was disrupted by strikes and bad weather.

In April and May the slightly more optimistic trend was resumed with a balance of 4 per cent of those who replied expecting an increase in output. However, in May, there was a swing back to a 2 per cent balance expecting output to fall.

Although these figures are too small to herald a marked change for the worse, they certainly give no ground for optimism.

This picture is broadly confirmed by the results of the latest FT Business Opinion Survey for May, also published today. They indicate a moderate improvement in business optimism but little evidence that companies are expecting an immediate pick-up in output or exports.

The CBI reports that only 8 per cent of respondents reported their total order book was "above normal" against 56 per cent assessing it "below normal."

The confederation says: "This suggests the previous tendency for order books to strengthen relative to normality may have halted."

It says that export order books also no longer appear to be improving in relation to normality.

"Since April, a marked weakening of export demand has occurred for firms in the metal manufacture group," it says.

However, the CBI survey suggests continuous progress will be made in reducing inflation with a further decline in the proportion of firms expecting to raise prices. This conclusion is also broadly supported by the FT's survey.

The CBI's most recent forecast for the economy—its first since the budget—is more pessimistic than the Treasury's budget forecast.

It expects growth to resume later this year with an increase in output of 1 per cent for the whole year compared with last. The Treasury is predicting about 1.5 per cent growth.

The CBI expects 2 per cent growth next year which will bring output in 1983 back to its 1980 level. It expects unemployment to increase until the end of this year and then to remain broadly stable with an adult total of about 2.9m to 3m.

The pre-tax real rate of return for companies excluding the North Sea sector is expected to rise from its historically-low 2.8 per cent in 1981 to about 4 per cent this year and next.

A sharp rise in the number of nominal profits is also expected. The annual rate of inflation is forecast to be 9 per cent by the end of this year and slightly less next year.

The CBI is pessimistic about the prospect for growth of exports which, excluding oil, are predicted to rise by only 0.25 per cent compared with last year.

This compares with an increase in non-oil imports of about 6.25 per cent this year. In 1983 exports are expected to rise by 5 per cent.

Ford campaign fails to boost May sales

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

FORD'S much-trumpeted price-cut campaign failed last month to capture the extra car sales the company was hoping for. For the second month in succession the Ford market share stuck at about 25 per cent.

Three factors affected performance in May. Ford was still suffering a slight "hang over" from March when dealers anxious to hit sales targets for the first quarter—on which bonuses of up to £400 a car were at stake—pushed Ford's penetration to a record 39.12 per cent.

Then Ford's major competitors reacted to the price cuts with marketing campaigns of their own. And in the final week of the month, when Ford might have expected to pick up market share, a dispute among car delivery drivers prevented some cars reaching customers.

As a result of the low-key May performance, Ford ended the first five months of the year with a market share of just over 30 per cent and will have to use all its marketing wiles to achieve the 32 to 34 per cent target it has set itself for 1982. However, so far in June it is back to its normal level of sales.

One of Ford's problems is that sales of the Cortina, for many years Britain's best-selling car, are fading because customers know it is to be replaced in the autumn.

In May the Cortina dropped to fourth place in the list of best-sellers and was overtaken by the Vauxhall Cavalier, according to the trade "the hottest car around" and one which would be contending for first place if supplies were not so short.

Competition in May was made even fiercer because total new car sales were the lowest for that particular month for some years. At 121,468 they were 10.2 per cent down on May 1981—showing to some extent the impact on total sales when Ford's deliveries are interrupted.

The five-month registration total, 672,264, was nearly 3 per cent below the same period of last year.

Import penetration in May was up from 51.5 to 56.2 per cent, reflecting the number of "captive" imports from Belgium and Germany by Vauxhall (43 per cent of the Vauxhalls registered were imports) and Ford (nearly 50 per cent).

For the five months the import penetration was running at 57.7 per cent compared with 53.4 per cent, in spite of the success of two British-built cars, the Ford Escort and BL's Metro, which took top places among the May best sellers.

BL had a better month in May, pushing back to a 22.12 per cent market share with its newcomer, the Triumph Acclaim, achieving a 3 per cent penetration. But after five months BL's share was languishing at about 18 per cent against the minimum of 20 per cent it wants to record this year.

In contrast, Vauxhall's continued strong performance—a near-12 per cent market share in May—is beginning to make its target of 11 per cent for the year look modest.

The other UK-based company, Talbot remains in deep gloom. Its May performance was affected once again by interruption to supplies of the French-built Samba delayed last month by industrial action by French ferry operators.

Top ten best-selling cars in May were: 1 Ford Escort (13,514 registered); 2 Austin Metro (12,119); 3 Vauxhall Cavalier (9,666); 4 Ford Cortina (7,167); 5 Ford Fiesta (5,495); 6 Triumph Acclaim (3,664); 7 Vauxhall Astra (3,089); 8 Morris Ital (2,561); 9 Austin Princess/Ambassador (2,512); 10 Ford Granada (2,487).

Table, Commercial vehicle sales, Page 7

SNP bans internal political factions

By Mark Meredith

THE SCOTTISH National Party tried to halt a widening Left-Right split at the weekend by imposing a ban on internal political factions.

Mr Gordon Wilson, MP, the party's chairman, warned delegates at the annual conference in Ayr that the SNP faced divisions which has led the Labour Party towards self-destruction.

He staked his position as chairman on a motion which, after a three-month grace period, will make liable to suspension anyone who is a member of an internal political group. It was passed by 308 to 188 votes.

The move was chiefly aimed at arresting the gains of the Left-wing 79 Group headed by Mr Jim Sillars, a former Labour MP, which wants the party to pursue a more active course on nationalism.

Mr Sillars and his supporters appeared committed to pursuing their objectives inside the party. Mr Sillars was re-elected to the key position of policy vice-chairman.

After the factions vote against, Mr Wilson said he hoped there would now be unity in the party. He did not think many would leave the SNP.

Mr Wilson's motion was opposed by Mr Ron Wyllie, the party's candidate in the June 24 Coatbridge and Airdrie by-election and a member of the 79 Group.

A Right-wing group, the Campaign for Scottish Nationalism, was set up deliberately to bring the question of factions to a head. This forced Mr Wilson to abandon his even-handed approach.

Explaining why he put his job on the line over the vote, Mr Wilson said he would not have been able to speak with authority on issues of similar importance had the vote been defeated.

The conference may bring the party back to more mainstream nationalism. The Left has pressed for a more Left-wing nationalism aimed at eroding the traditionally heavy Labour support in Scotland.

Some delegates felt that internal rivalries had contributed towards the party's lost deposit in the March 25 Hillhead by-election and a poor showing in the May regional elections.

MPs press for Budget overhaul

BY PETER RIDDELL, POLITICAL EDITOR

AN ALL-PARTY committee of MPs, including two former Conservative Treasury Ministers, will propose a major overhaul of the way public expenditure and tax decisions are taken, in a direct rejection of the views of Sir Geoffrey Howe, the Chancellor of the Exchequer.

The Treasury and Civil Service Committee of the Commons has agreed on a report calling for expenditure and tax decisions to be presented simultaneously and for a draft "Green" Budget to be produced three or four months before the start of each financial year. The report has already been formally laid before Parliament and will be published within the next 10 days.

The MPs broadly endorsed the budgetary reforms proposed in 1980 by an Institute for Fiscal Studies committee under the chairmanship of the late Lord Armstrong. However, in some respects their proposals are more radical.

The committee believes it is unacceptable for Parliament to be presented with Budget estimates and decisions which are regarded as holy writ.

The MPs also argue that it is impossible to take an adequate overall view of economic policy unless tax and spending decisions are announced together.

At present, spending decisions are taken at the end of November when broad proposals are announced. Tax changes are agreed just before the spring Budget in March or April when the detailed expenditure White Paper is published.

Sir Geoffrey has already specifically rejected the idea of a unified draft Budget in the autumn. In evidence to the committee, he said it would be "an almost impossible task" to prepare detailed expenditure and tax proposals then because of the excessive strain on officials and Ministers.

Treasury officials have stressed that the difficulty is largely one of time-scale. Spending decisions have to be taken well in advance of the financial year, whereas the best time to decide tax changes is just before the start of the fiscal year.

The report's publication is likely to exacerbate existing strains between Sir Geoffrey and the committee, which is chaired by Mr Edward du Cann and includes Mr Terence Higgins—both former Treasury ministers.

It will be difficult for the Treasury to brush aside the proposals because they will be immediately considered by a separate and determined committee of senior MPs, chaired by Mr Higgins, which is looking at possible changes in the financial procedures of the Commons. In particular, the Procedure Committee has been discussing closer monitoring and control of budgetary matters.

U.S. proposals Continued from Page 1

Latin America was an important region to the U.S.

Mr Parkinson argued that British public opinion had changed during the crisis and would no longer accept any role for Argentina on the Falklands.

He doubted whether this change had registered with the U.S. Administration but thought it would over the next two or three days when President Reagan and his colleagues were exposed to British public opinion.

Mr Parkinson, who is chairman of the Conservative Party, claimed there had been "an enormous change of mood" since the Argentine invasion.

There was "now a determination that aggression should not be allowed to pay at all" and he said the British public would not understand if Argentina was in a better position afterwards.

This view is supported by an Opinion Research Centre poll for the programme showing that nearly three-quarters of the public favour either Britain holding onto and defending the islands or an offer of independence.

Mr Parkinson ruled out any arrangement, such as multi-national administration, which could become a step towards negotiations with Argentina.

Instead he said that having re-possessed the islands, Britain would then take steps to keep them. He said independence was one option and hoped other countries would contribute to security to ensure peace and stability in the region.

Mr Parkinson thought such multinational help would be acceptable to the people of the UK provided it was not a step towards ceding sovereignty. But he conceded the U.S. did not like this scheme.

He thought there would have to be a British garrison in the short-term and thought it inconceivable that British troops could pull out immediately.

Despite the expected formal British rejection of the American proposals, pressure from Washington on Mrs Thatcher to compromise on her concept of an independent Falklands, sustained from far away, is likely to grow.

Over the weekend two more instances appeared of the enormous international pressure Britain and, to a lesser extent, the U.S. are coming under.

Spain renewed its call for a negotiated settlement and warned of the dangers of resentment between Europe and Latin America. The Non-Aligned Movement, meeting in Havana, approved a resolution deploring the British military presence in the South Atlantic and demanding an immediate end to American support for Britain.

In Venezuela, Sr Nicanor Costa Mendez, the Argentine Foreign Minister, said his country would maintain the fight to recover the Falklands no matter what the outcome of the present battle.

No comfort for Schmidt Continued from Page 1

party in the Hamburg government.

Although the CDU gained its best result in Hamburg with around 43 per cent against 37.6 per cent four years ago, it still remains slightly behind the SPD.

Real winners were the so-called "Green Alternative List" — an environmentalist party—which won between 7 and 8 per cent of the vote and thus enters the Hamburg assembly for the first time.

The immediate problem for Hamburg is who will now form a government after the SPD has lost its absolute majority. No clear coalition has yet emerged.

But the wider significance of the result consists in the impact it will have on the Bonn coalition, which has been under constant strain since the last General Election in October, 1980.

The FDP has been showing increasing nervousness that the unpopularity of the SPD countrywide—despite the personal popularity of Herr Schmidt — could throw them into eclipse as a political force in the German States.

Had the FDP managed to capture over 5 per cent of votes in Hamburg and been able to form a coalition with the SPD, it would have greatly helped to cement the government alliance in Bonn.

Scargill to face battle over Kent pit closure

By John Lloyd, Labour Editor

MR ARTHUR SCARGILL faces his first serious battle this week with the right-wing members of his executive since taking over in May as president of the National Union of Mineworkers.

His policy of confrontation through industrial action with the National Coal Board over the closure of Snowdown Colliery in Kent will be opposed by right-wingers at the Executive's meeting on Thursday. They will argue that reluctance on the part of the membership nationally and divisions within the Kent miners themselves point to a more moderate policy of putting the issue through the National Disputes Procedure rather than heading for an immediate challenge.

Kent's 3,000 miners voted at a mass meeting last week for all-out strike action from June 19 and for a widening of the action at national level, if the NCB does not withdraw its plans to cease production at Snowdown.

Mr Trevor Bell, general secretary of the union's white collar section COSA and Mr Scargill's runner-up in the presidential election, has written to Mr Lawrence Daly, the NUM's General Secretary, proposing the reference to national procedure. He has written in the same vein to Mr Jack Collins, the Kent area secretary.

NACODS, is likely to vote for the same policy at its Executive meeting tomorrow. Both NACODS and Mr Bell believe that the scheme for Snowdown—which means transferring or making redundant 580 to 600 of its 800-strong labour force and using the remaining 200 miners in development work for a new face—are significantly different to plans they endorsed earlier this year.

Mr Bell said yesterday: "I don't think that if the men of Kent were balloted on this, they would agree to strike action. The best thing is to go back to the Board at national level—that's preferable to widening the action."

However, Mr Collins said yesterday that "as far as we are concerned we are continuing with our campaign". He said Kent miners would lobby the National Executive on Thursday and praised the support he had received from Mr Scargill.

He added that the plan to use the disputes procedure nationally would be unlikely to gain much support.

However, Mr Collins conceded that a number of older men in Kent would be tempted to retire early by redundancy payments of up to £10,000. He said that officials of the Advisory Conciliation and Arbitration Service had been in touch with his office last week and believed it possible that the NCB may look for a compromise.

Weather

UK TODAY

MOSTLY cloudy with thundery showers, becoming brighter.

SW England, S Wales
Mainly dry, sunny periods. Max 18C (64F).

Midlands, SE and N England, SW Scotland, N Ireland
Cloudy with thundery rain, becoming brighter. Max 22C (72F).

Borders, NW and E Scotland
Cloudy with thunderstorms. Max 19C (66F).

Outlook: Becoming dry with sunny periods.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	F	24	75	L. Ang.†	F	15	59
Algiers	S	26	79	Luxmbg.	T	20	68
Amsdm.	F	26	79	Luxor		—	—
Athens	F	26	79	Madrid	S	26	79
Bahrain	S	36	96	Majorca	F	24	75
Barclna.	S	22	72	Malaga	S	24	75
Beirut	S	24	75	Malta	S	24	75
Belfast	F	18	64	M'chstr.	C	23	73
Belgrd.	F	29	84	Melbne.	F	12	54
Berlin	F	28	82	Mx. C.†		—	—
Biarritz	C	17	63	Miami†	C	26	79
Bmghm.	F	23	73	Milan	S	28	82
Blackpl.	C	17	63	Montrl.†	F	15	59
Bordx.	C	21	70	Moscow	C	25	77
Boulgn.	S	22	72	Munich	S	26	79
Bristol	F	23	73	Nairobi	S	25	77
Brussels	F	26	79	Naples	F	25	77
Budpst.	S	29	84	Nassau		—	—
Cairo		—	—	Nwcstl.	C	16	61
Cardiff	F	21	70	N York†	R	14	57
Cas'b'ca	F	21	70	Nice	S	24	75
Cape T.	F	15	59	Nicosia	F	23	73
Chicg.†	F	9	48	Oporto	S	18	64
Cologne	C	25	77	Oslo	S	18	64
Cpnhgn.	F	23	73	Paris	S	27	81
Corfu		—	—	Perth	S	21	70
Denver†	F	12	54	Prague	T	30	86
Dublin	C	18	64	Rykjvk.	C	12	54
Dbrvnk.	S	24	75	Rhodes	S	23	73
Ednbgh.	C	16	61	Rio J'o†		—	—
Faro	F	23	73	Rome	F	26	79
Florence	F	27	81	Salzbrg.	S	27	81
Frankft.	S	27	81	S'cisco†		—	—
Funchal	C	20	68	S. Mritz.		—	—
Geneva	F	24	75	Singapr.		—	—
Gibrltr.	S	24	75	S'tiago†		—	—
Gl'sg'w	C	17	63	Stckhm.	F	14	57
G'rnsey	C	15	59	Strasbg.	S	27	81
Helsinki	F	15	59	Sydney	C	10	50
H. Kong		—	—	Tangier	S	22	72
Innsbrk.	S	26	79	Tel Aviv	S	24	75
Invrnss.	C	12	54	Tenerife	S	22	72
I.o.Man	C	15	59	Tokyo	F	25	77
Istanbul	S	22	72	T'nto†	R	14	57
Jersey	C	15	59	Tunis	S	27	81
Jo'burg	S	25	77	Valencia	C	25	77
L. Plms.	F	24	75	Venice	S	26	79
Lisbon	S	21	70	Vienna	S	28	82
Locarno	S	24	75	Warsaw	F	28	82
London	F	25	77	Zurich	F	23	73

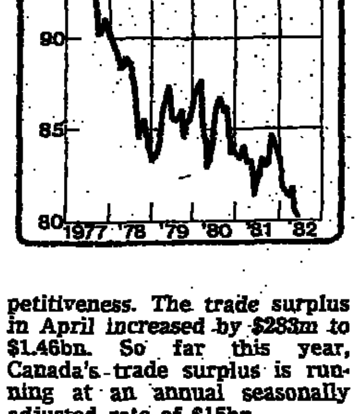
C—Cloudy. F—Fair. R—Rain. S—Sunny. T—Thunder.
† Noon GMT temperatures.

THE LEX COLUMN

Canada feels the strain

Canada came to the Euromarkets last Wednesday to replenish its dwindling foreign currency reserves. Faced with the increasingly expensive task of defending an embattled currency, it arranged to borrow U.S.$750m for five years, the largest single transaction ever recorded on the Eurobond market in nominal terms.

An announcement by the Bank of Canada on the same day put the offering in clear perspective. The country's official international reserves had fallen by U.S.$651m in May to reach $2.87bn, one of the lowest levels ever. The underlying fall was rather greater since Canada had drawn $300m from a U.S. dollar credit line in the course of the month.



Reserves

Despite this sharp deterioration in the reserves position, Canada was in no pressing need of foreign exchange. Its off-balance sheet credit lines total $6.5bn, of which only $800m is currently drawn down. In addition, the international reserves incorporate gold holdings of 20.4m ounces, entered at a value of $39.25 per ounce. The Bank of Canada is roughly midway through a programme of selling one million ounces, book profits on which show up immediately in foreign currency reserves.

But its willingness to pay 14½ per cent for five year dollars does give some indication of the strains being incurred in the policy of currency management. The Bank allowed the Canadian dollar to slip below 80 U.S. cents for the first time last week, but has said openly that it would be unhappy with a rate of 75 cents.

To justify this intervention strategy, the Bank can argue that, in terms of relative unit labour costs, the Canadian dollar is undervalued against its U.S. counterpart. But, with Canadian consumer price inflation running roughly 5 percentage points above the U.S. CPI, this situation may not persist for long.

Canadian trade unions have so far shown greater resistance than those in the U.S. to a cut in real incomes. Roughly 40 per cent of union contracts incorporate cost of living adjustments, making the Government's goal of reducing wage inflation all the more difficult.

To judge from the trade statistics, the growing inflation differential with the U.S. has not yet had a marked negative impact on Canada's export competitiveness. The trade surplus in April increased by $283m to $1.45bn. So far this year, Canada's trade surplus is running at an annual seasonally adjusted rate of $15bn.

Moreover, a weakening in the Canadian dollar rate would not necessarily prove a great boost to Canadian export volumes. In the lumber industry, for example, the level of Californian housing starts is more material than two cents off the Canadian dollar rate.

Yet the overall picture conceals some very marked discrepancies. Canada's deficit on manufactured goods—for example in the textile and engineering industries—has been growing, at a worrying rate and helps to explain the steady increase in unemployment to a current level of 10.2 per cent, seasonally adjusted. Most Canadian manufacturers would maintain that the high value of the Canadian dollar has been a real impediment to growth.

The trade surplus is structural, but its present unusual size reflects the weakness of import volumes and domestic demand. Emphasis on exchange rate management has obliged the Bank of Canada to maintain domestic interest rates at a level which is not consistent with its own target range for M-1. The broader aggregates, however, have been racing ahead.

The strengthening of the U.S. dollar last week was accompanied by a progressive widening of the spread between short term U.S. and Canadian interest rates. The yield gap was effectively eliminated during February, but by the end of last week the return on 90-day Canadian dollar commercial paper was about 300 basis points above its U.S. counterpart.

The Bank of Canada clearly recognises, however, that the extent to which it can support the exchange rate through interest rate management is circumscribed by the low level of domestic demand. So great emphasis is having to be placed on direct intervention.

Its policy is at least keeping down the Canadian dollar cost of servicing the country's monumental burden of foreign debt. Last year, the country's net deficit on service payments (interest and dividends) totalled over $10bn. The 1982 deficit on invisibles seems certain to keep the overall current account in the red, as usual.

The outflows have been accelerated by the rapid deterioration in Canada's capital account. The balance of capital investment in Canada, which had been modestly positive throughout the 1960s and 1970s, last year swung into a deficit of $5.3bn. At the same time, the net outflow of capital from Canada rose rapidly to $4.9bn.

Inflation

The capital account should admittedly look more healthy this year. The 1981 figures were adversely affected by the sale of oil and gas assets by foreign companies including Petrofina, following the introduction of the quixotic National Energy Policy. Expected capital inflows have been put in question by a combination of fiscal policy and weakening natural resource prices, such as the Alsands oil venture. Furthermore the deteriorating balance sheets of Canadian corporations will act as a brake on foreign acquisitions this year.

But the overriding reason for a strong dollar policy is the fear of importing inflation from south of the border. That makes exchange rate management look a dangerous and cosmetic stalling device. The only real way out of the dilema is to curb inflation at home.